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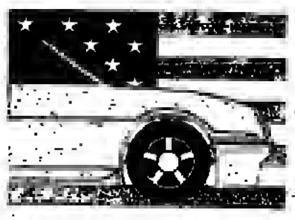
FINANCIAL TIMES



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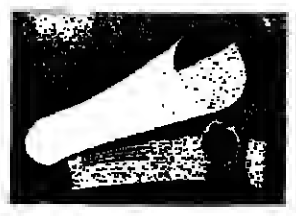

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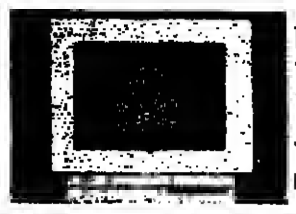

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On the trail of software pirates
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World Business Newspaper — WEDNESDAY FEBRUARY 8 1995 — D8523A

Metallgesellschaft back into profit in the first quarter

Metallgesellschaft, the German industrial and trading company which was nearly bankrupted last year by US oil trading losses, has weathered its crisis and made a small profit in the first quarter, chairman Kajo Naukirchen said.

He admitted the operating profit of DM10m ($6.5m) in the first three months was minimal. "It'a nothing to die laughing about," he said. "We've kept Metallgesellschaft alive in smaller form. This is no reason for excitement." Page 15; Lex, Page 14

Pressure grows on Polish PM: The Polish political crisis deepened as Waldemar Pawlak, prime minister and Peasant party leader, came under further pressure to resign and open the way for a reshuffle of top government positions, as demanded by President Lech Walesa. Page 2

Broker moves into Tokyo exchange: Smith New Court, UK broker, and Paribas Capital Markets, French securities house, are buying seats on the Tokyo stock exchange despite the continuing slump in Japanese share trading. Page 14

Tokyo residents greet Princess of Wales

A child reaches out to touch the Princess of Wales as she toured the Kitamachi senior centre in Tokyo yesterday. The princess, on a four-day visit to Japan, was earlier said to hava slept through a minor earthquake tremor measuring 3.9 on the Richter scale which hit the Japanese capital. The tremor was apparently unconnected with last month's Kobe earthquake.

Hungarian bank chief named: Gyula Horn, Hungary's Socialist prime minister, moved to restore confidence in the country's financial management by nominating two competent, independently minded specialists – Georgyi Suranyi and Lajos Bokros – as respectively president of the central bank and finance minister. Page 14

PepsiCo, US snacks and soft drinks group, produced a strong end to a mixed year, reporting a 16 per cent increase in net profits to $513.3m for the fourth quarter. Page 15

Call for closer EU-Japan ties: Jorn Keck, the European Union's new ambassador to Japan, called for broader relations with Tokyo, including more foreign policy co-operation, but warned of pressure for a tougher trade stance. Page 8

Chinese state sector backed: China could not dismantle its state-owned industrial system and engage in a rush to privatisation, the influential head of a cabinet think-tank has said in a spirited defence of the country'a ailing state sector. Page 8

Scandinavian Airlines System, which less than two years ago went in vain search of merger partners to rescue it from losses, flew back into the black for the first time in five years in 1994, swinging to a pre-tax profit of SKr1.5bn ($201m) from a loss in 1993 of SKr492m. Page 15

Schering, German pharmaceuticals group, reported a 12 per cent rise in preliminary net profits for 1994 to DM255m ($190m), with turnover lifted by sales of multiple sclerosis drug Betaseron. Page 16

Church to sell shopping centre: The UK Church Commissioners are to sell the MetroCentre in Gateshead, northern England, which is Europe'a largest covered shopping and leisure centre. The move is part of a programme to reduce exposure to the commercial property market. Page 9

Sears Roebuck continued its retailing division recovery in 1994, with group net income in the fourth quarter was $685m, compared with $545m in the same period a year earlier. Page 18

Shekel devaluation ruled out: Israel's central bank has rejected a one-time devaluation of the Israeli shekel, in spite of growing pressure for such a move from manufacturing industry. Page 4

Bomb found in French town: About 9,000 people were evacuated from Dugny, a small town on the northern fringes of Paris, after workers found an unexploded 1,100 lb world war two bomb.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,931.9	(-6.73)
NASDAQ Composite	778.54	(-0.31)
Europe and Far East		
CAC40	1,870.44	(-1.67)
DAX	2,092.49	+2.8)
FT-SE 100	3,072.7	(+10.7)
Nikkei	18,500.5	(-166.68)

US LUNCHTIME RATES

Federal Funds	5 15/16%
3-mth Treas Bills: Yld	5.947%
Long Bond	98 11/32
Yield	7.685%

OTHER RATES

UK: 3-mo Interbank	6 3/4%	(6 11/16%)
UK: 10 yr Gilt	100 3/32	(99 1/2)
France: 10 yr OAT	96.82	(96.34)
Germany: 10 yr Bund	100.83	(99.69)
Japan: 10 yr JGB	96.521	(96.389)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.11	(17.05)

GOLD

New York: Comex		
(Apr)	$377.3	(378.3)
London:		
close	$374.8	(375.0)

DOLLAR

New York lunchtime		
£	1.557	
DM	1.53725	
FFr	5.31575	
SFr	1.303	
Y	99.425	
London:		
£	1.5573	(1.56)
DM	1.5355	(1.5309)
FFr	5.314	(5.3057)
SFr	1.3008	(1.2962)
Y	99.365	(99.355)

STERLING

DM	2.3812	(2.3882)
Tokyo close:	Y 99.2	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft 165	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lev100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Z 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Esc290	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Moscow grants itself the power to renationalise

By Chrystia Freeland in Moscow

The city of Moscow has passed a resolution empowering it to renationalise enterprises in the Russian capital, in a move which highlights the fragility of newly granted private property rights.

The decision also reflects how national and local leaders, reformera and conservatives alike, are struggling for control.

The resolution was drafted by Mr Yuri Luzhkov, the mayor of Moscow, who styles himself as the capital's "premier" and is regularly ranked high among Russia's most powerful politicians.

Citing "serious mistakes in the privatisation of enterprises in the city", the resolution empowers the Moscow municipal government to dilute the shareholdings of private investors and assume a 51 per cent stake in enterprises controlled by the city before mass privatisation.

With this resolution, Moscow has joined the ranks of powerful interest groups which have sought, over the past few weeks, to reassert control over property in Russia. Similar efforts have included the secret dilution of private shares in Komineft, a big Russian oil company, and the attempt by the defence industry lobby to reclaim control of its sector from private investors.

The move has met strenuous opposition from private investors and brokers, who stand to lose most if privatisation is even partially reversed.

Mr Sergei Chuzhov, an official at the Moscow Property Agency, said the decision to renationalise some enterprises is based on the desire to protect Muscovites "from some mistakes in the first stage of privatisation".

One exampla Moscow officials cite is the privatised Zil car plant which was forced by financial difficulties to stop productioo for two weeks last month. Zil managers have suggested renationalisation as a solution to fiscal woes.

By calling into question the sanctity of private property rights, Mr Luzhkov risks incurring the wrath of Russia's increasingly assertive private investors.

"This is a terrifying resolution," said Mr Andrei Volgin, a leading Moscow broker aod chairman of the Shareholders' Rights Committee. "This resolution goes directly against the general direction of the Russian governmeot."

Mr Volgin said that he plans to bring up the Moscow resolutioo at a meeting of the Russian cabinet, scheduled for today.

"We will now see a serious fight betweeo Mr Luzhkov, and the finaocial groups who back him, and prime minister Viktor Chernomyrdin, and his supporters in the oil and gas lobby," Mr Volgin said.

The decisive figure in the battle will be president Boris Yeltsin. Mr Yeltsin, whose own political career was launched from the Moscow mayor's office, has always been sensitive to Mr Luzhkov's demands.

IMF urges close watch on weaker economies

By David Buchan in Paris and Peter Norman in London

The International Monetary Fund plans to step up surveillance of economies in "convalescence" to head off financial crises such as Mexico's.

The proposal was put forward yesterday by Mr Michel Camdessus, the fund's managing director, who said he could think of 10 countries that could run into serious difficulties this year. However, speaking to journalists in Paris, he added: "Don't expect me to give you the list."

The plan for greater monitoring will go before the IMF board's biennial review of such mechanisms on February 17.

Fund officials said they believed Mr Camdessus cited the figure of 10 more to underline the general risk than to give a precise total. But Mr Camdessus's remarks surprised some economists who said the danger of contagion from Mexico had subsided.

There were fears in the wake of Mexico's devaluation in December that emerging economies as varied as Argentina, Brazil, China, Hungary, Thailand and South Africa – and even some industrialised countries such as Italy, Sweden and Canada – might suffer a similar loss of international investor support.

But ona close observer of Mexico said yesterday it was a special case. Mr David Hale, chief economist for the Chicago-based Kemper Financial Services, said: "It would be imprudent to argue that a crisis on the scale of Mexico could develop in several other emerging market countries because Mexico's dependence on capital flows from US mutual and pension funds was unique."

Mr Camdessus said talks between Moscow and the fund on a $6.2bn standby loan for Russia's ailing economy were still not settled. "We are not yet there," he said.

He noted that while the IMF had received "appropriate responses" in its conversations on the Russian economy, they were "not sufficient to come to an agreement".

On Mexico, Mr Camdessus recalled that the country's economy had not come under intensive international scrutiny before the financial crisis. "We will, therefore, introduce still stronger surveillance to be sure that the convalescence goes well."

He argued that a better early warning system might have avoided such an emergency. Some European governments complained that the IMF was panicked into dropping its usual conditions in assessing its $17.8bn support for Mexico.

At present, the IMF conducts intensive negotiations with – and surveillance of – countries that draw or hope to draw formal standby credits from it. But it consults most of the rest of its 178 member countries only annually.

Mr Camdessus said the Mexican crisis illustrated many of the risks he had identified: "Even in countriea that are well

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Chechen checkpoint: The Russian capture of key crossroads has left Chechen fighters just one road into the capital Grozny where sporadic fighting was reported again yesterday. The Russian army is planning to wind down its operations in Chechnya and transfer responsibility for restoring order to interior ministry troops. Military experts suggested that even though Russian forces might soon secure their grip on the capital, they were still likely to face stiff resistance from Chechen forces in the southern mountains and regional towns Page 2 Picture: EPA

Time Warner in $2.6bn cable deal

US group to gain 1.3m subscribers after buying Cablevision Industries

By Tony Jackson in New York

Time Warner, the US media group, has made its second $2bn-plus cable TV acquisition in a fortnight with the purchase of Cablevision Industries, a privately owned US company with 1.3m subscribers. Time Warner also said it would create a new self-financing structure for its heavily indebted cable and telecommunications interests, and would reduce debt through asset sales.

In a deal valued at $2.6bn, Time Warner will take on $2bn of debt and issue common and preferred stock worth $600m. Together with the recently announced purchase of Houston Industriea' cable interests, involving $1.2bn of debt and $1bn of equity, this will hring Time Warner's total net debt to $18.2bn.

The company, which yesterday announced a full year net loss of $104m, has not made an annual profit since Time and Warner merged in 1989, chiefly because of its debt burden. It did not elaborate on its plans for a oew financial structure, though it is likely to involve an off-balance sheet vehicle rather than a separately quoted company.

Mr Gerald Levin, chairman, said the "simplification" of the balance sheet would help shareholders to value the two parts of the husiness, defined as telecommunications and content creation-distribution. Besides its cable ioterests and growing involvement in telephony, Time Warner is a leading producer of films, music, books and magazines.

The company did oot specify

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Major under fresh pressure for Euro-currency statement

By Robert Peston in London

Eurosceptics in the UK's ruling Conservative party will today put fresh pressure on Mr John Major, the prime minister, to make a clear statement on whether he favours a single European currency following the disclosure that the UK has made a Ecu94.5m ($115m) investment in the European Monetary Institute, the precursor of a European Central Bank.

The disclosure may prove a further setback to the prime minister's attempts to unite the Conservatives on Europe, and comes after his least ambiguous statement to date that he wants to raise new hurdles to the creation of a single currency.

During a ferocious interchange at prime minister'a Questions in the Commons, Mr Major described Mr Tony Blair, leader of the opposition Labour party, as a "dimwit", for pressing him to say whether he supported a single currency. It is unprecedented for Mr Major to use such a derogatory phrase abont the opposition leader. Mr Major said that "we require other criteria to be met" than those spelled out in the Maastricht Treaty before the UK would contemplate joining. In a statement designed to appeal to the Eurosceptics, Mr Major added that even if those "other criteria" were fulfilled the UK might still not participate.

The disclosure of the UK's investment in the Frankfurt-based EMI will add to his difficulties in persuading the nine Tory rebels, suspended from the party whip before Christmas, to rejoin the fold and re-establish a Conservative Commons majority.

The EMI was set up a year ago to oversee stage two of the European Union's move towards a single currency. One of its functions is continuously to assess the economic policies of all member states that are pursuing "convergence programmes" for membership of a single currency.

The rebels said last night they were united in their anger at the injection of UK funds into the EMI. Sir Teddy Taylor MP, a leading memher of the group, yesterday tabled a Commona question asking Mr kenneth Clarka, tha chancellor of the exchequer, to reveal the size of the UK investment and whether it would be subject to approval by parliament.

According to an EMI statement, the investment has already heen made hy the Bank of England. It is repayable if the EMI is wound up at an unspecified future date when a single currency is created.

The UK is the fourth-biggest investor in the EMI after Germany, which has contributed Ecu139m, France, with Ecu105m, and Italy's 97.6m Ecu. The 15 members of the EU have injected a total of Ecu616m into it. The EMI aaid it required these resources to "generate the interest income deemed necessary" for administrative expenses.

A European central banker said the EMI would invast its capital in relatively safe, low-yielding securities.

CONTENTS

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Beleaguered Polish PM puts three choices to coalition partners

Pawlak offers to pull out party

By Christopher Bobinski in Warsaw

Poland's embattled prime minister, Mr Waldemar Pawlak, last night offered to take his Peasant party out of the coalition, leaving the Left Democratic Alliance (SLD) to search for other coalition partners in the present parliament. He made the proposal at a meeting with the PSL leadership designed to discuss the possibility of a reshuffle.

As an alternative, he offered to surrender the premiership to Mr Jozef Oleksy, an SLD leader and speaker of the Sejm, the senior chamber of parliament, but only if the speaker's post is assigned to a member of his own party, Mr Jozef Zych, at present deputy speaker.

Under a third variant, Mr Pawlak repeated an earlier suggestion favoured by his supporters who want to see him stay in power that Mr Alexander Kwasniewski, his coalition partner and head of the SLD, become a deputy premier and foreign minister.

Mr Pawlak has come under increasing pressure to resign and open the way for a reshuffle of top government positions as demanded by President Lech Walesa. Yesterday, the pressure came from Mr Kwasniewski, who said his party could leave the government if changes were not made. "It's time for decisions," Mr Kwasniewski said before yesterday's meeting.

Although leader of the biggest party in the Polish parliament, he has until now kept out of the government, preferring to exercise his authority behind the scenes.

Mr Pawlak, who is being advised by Mr Michal Strak, head of the cabinet office and the leading party strategist, is seeking to play for time until next Friday's meeting of the PSL's national leadership where he is expected to ask for a vote of confidence.

The PSL has refused demands from the SLD for a joint meeting of the deputies from the two parties in parliament to consider a vote of confidence in him as prime minister. The secret vote, the Peasant party argues, would automatically favour the SLD which has 167 deputies in parliament to the PSL's 131.

Earlier yesterday, Mr Strak repeated his offer that Mr Kwasniewski should become a deputy premier and foreign minister while President Walesa has made clear that he wants him to take over as prime minister.

The SLD, whose reformist wing favours faster market-orientated reform and privatisation, is now accusing Mr Pawlak of trying to recentralise the economy and of failing to agree appointments to key government jobs. After initial reluctance, the SLD is now demanding the replacement of Mr Pawlak by Mr Kwasniewski. It is looking expectantly for signs of a split within the PSL ranks which would make such a reshuffle possible as opinion polls show an overwhelming majority of Poles oppose the dissolution of parliament threatened by Mr Walesa.

Meanwhile, the Warsaw stock exchange strengthened on prospects of more decisive political leadership. The main WIG index rose 7.7 per cent as strong buying interest surfaced at the prospect of the SLD taking the premiership. Turnover in yesterday's trading reached 70.8m zlotys ($28.8m) or six times higher than on Monday.

German union rejects 'absurd' pay proposal

Ford workers in Saarlouis in southwestern Germany stage a one-hour strike yesterday in support of the IG Metall pay demand EPA

By Christopher Parkes in Frankfurt

Germany's IG Metall engineering union yesterday rejected the offer of a wage rise tied to a delay in the introduction of the 35-hour working week, scheduled for October.

As regional officials warned that full-scale strikes now seemed inevitable, and employers countered with threats of lock-outs, Mr Dieter Kirchner, head of the Gesamtmetall employers' association, tried to break the deadlock. He said his negotiators were ready to make a pay offer on which both sides would be able to agree if the one-hour reduction in the working week, agreed in 1990, could be postponed.

The reduction, equivalent to an increase of 2.8 per cent in the industry's wage bill, was the main obstacle to agreement, he said. He also claimed that preconditions for the introduction of the 35-hour week – including criteria on business conditions and working hours elsewhere in Europe – had not been met.

The proposal was promptly rejected by IG Metall which said it would insist on the introduction of the new hours on October 1 "with no ifs or buts". Shorter working hours would help create jobs, the union said, dismissing Mr Kirchner's proposal as "absurd".

The union's principal complaint, which has led to warnings that the national leadership will discuss a possible strike ballot next week, is that the employers have not yet made any pay offer.

IG Metall, the biggest and most powerful union in the country, and the one likely to set the general level of wage agreements in the rest of industry, has put in a claim for a 6 per cent pay increase across the board.

Gesamtmetall, on the other hand, has so far insisted that any award must be offset by cost-savings elsewhere. It roused tempers earlier this week with a suggestion that an agreement should be suspended under which employers contributed more than DM2bn (£840m) annually to employee savings schemes.

Mr Walter Riester, union deputy chairman, yesterday repeated that if there was no movement from the employers this week, the national leadership would decide next Tuesday on strike ballots.

Mr Dieter Hundt, the employers' association leader from Baden-Württemberg, warned that if full-scale stoppages resulted, the time would come when "appropriate" lock-outs were imposed.

Industry has been disrupted almost daily by warning strikes in the four weeks since the statutory "cooling off" period expired. These stoppages, generally lasting an hour or so, formerly caused little disturbance. However, they have become markedly more disruptive since the widespread introduction of just-in-time component delivery systems.

SPD calls for boycott of British beef

By Michael Lindemann in Bonn

The opposition Social Democratic party (SPD) yesterday launched a full-scale attack on the German government for failing to ban imports of British beef which might be infected with bovine spongiform encephalopathy (BSE), or mad cow disease.

Three SPD-run state governments called on meat traders and consumers to boycott British beef, saying the government's behaviour was "incomprehensible and dangerous".

However, it remains unclear whether the SPD offensive will cause the same row between Britain and Germany which followed calls last March by Mr Horst Seehofer, health minister, for a ban on British beef imports because there was no scientific evidence to prove that BSE could not be passed from cattle to humans.

The attack on British beef by SPD Länder (states) was stepped up because Mr Seehofer yesterday passed an emergency decree to bring Germany in line with other EU states which agreed in December to allow the import of British beef following the introduction of certain restrictions.

He was forced to resort to the emergency decree after the Bundesrat, the chamber which represents Germany's 16 Länder, had refused last month to approve the EU legislation. The Bundesrat had called instead for an total ban on UK beef imports, a measure which Mr Seehofer warned would result in EU legal action.

Under the new restrictions only beef from animals born after January 1, 1992 could be exported, Mr Seehofer said, and the European Commission's veterinary committee had agreed that this gave the best possible guarantee that BSE-infected meat would not reach butcher shops.

British beef, directly imported from the UK, made up only 381 tonnes or 0.29 per cent of all German imports from the EU in the first nine months of last year, according to a spokesman for the ZMP agency which compiles statistics on the meat trade.

However, the fuss about BSE last year caused beef and veal consumption to fall by around 13 per cent.

Veal is much less popular in the UK than it is elsewhere in Europe, and British calves are exported, only a few months old, to France and the Netherlands. After six months the animals are no longer considered British and can easily find their way into Germany, which imported almost 35,000 tonnes of beef and veal from the Netherlands in the first nine months of last year, the ZMP spokesman said.

Ms Klaudia Martini, the environment minister for the Rhineland-Palatinate, said she had created a "consumers partnership" with meat traders and other organisations which had agreed that British beef could not be processed or sold within the state.

"The route of the beef from the farmyard to the butcher's shop has to be clearly identifiable," she said in a statement.

Bucharest set to meet ethnic Hungarians

By Virginia Marsh in Budapest

Mr Jimmy Carter, former US president, is next week expected to participate in meetings in Atlanta between Romanian government officials and representatives of the country's 1.6m ethnic Hungarian minority aimed at resolving long-standing differences.

The Project on Ethnic Relations, a privately funded US group, said yesterday it would chair an unofficial meeting between Romanian government officials, representatives of the ethnic Hungarian party, the Union of Democratic Magyars in Romania (UDMR), and other political parties at the Carter Centre in Atlanta, Georgia, on February 14.

Mr Carter, who is successfully carving out a role as an international mediator in conflicts ranging from the former Yugoslavia to North Korea, was expected to attend some meetings although the extent of his involvement was not yet known, PER officials said.

The initiative is the latest effort to resolve increasingly bitter differences between the Romanian government and its Hungarian minority which is concentrated in Transylvania, Romania's ethnically mixed western province.

The dispute is delaying a basic treaty between Hungary and Romania, the signing of which is a condition of both countries' membership of the European Union and Nato. Romania's treatment of the minority and fears of Hungarian claims on Transylvania – which was ruled by Budapest until 1920 – have soured relations between the two neighbouring states for much of this century.

In recent weeks, nationalists in the Romanian government, who have attacked the Atlanta meeting have stepped up their demands to ban the UDMR on the grounds that its demands for greater local autonomy in areas where ethnic Hungarians are in a majority are unconstitutional and threaten Romania's territorial integrity.

They have also demanded ethnic Hungarians be removed from the armed forces and prosecuted for flying foreign flags or singing foreign anthems.

The Bucharest government has distanced itself from the nationalists' statements but has itself threatened the UDMR with legal action if it does not disband a council of elected ethnic Hungarian local government officials.

This threat led Mr Gyula Horn, the Hungarian prime minister, to call off talks in Budapest two weeks ago with a senior Romanian delegation on the morning they were due to take place.

However, Mr Horn said yesterday his government remained committed to improving relations with Bucharest and that the foreign ministry had this week submitted a draft basic treaty to Romania.

PER, which successfully chaired two similar meetings between the Romanian government and the ethnic Hungarian minority in 1992 and 1993, said the meeting would discuss education, local administration and laws concerning minorities.

Brussels in bind over Mercedes bus deal

By Emma Tucker in Brussels

The European Commission faces the delicate task of whether to clear an attempt by Germany's Mercedes-Benz to take over the Kässbohrer bus group in what is being seen as one of the most sensitive competition cases in recent years.

In the face of intense lobbying which has spanned the motor industry to German bishops, Mr Karel Van Miert, the competition commissioner, must decide whether a deal which would give Mercedes-Benz a 57 per cent share of the domestic bus market breaks European Union competition rules.

On Friday, a consultation committee composed of representatives of national competition authorities will discuss the case. After that, Mr Van Miert will be expected to reach a verdict.

The tale of the Mercedes-Kässbohrer deal is convoluted but typical, involving powerful industrial companies, national governments, and a balancing act between domestic and EU competition authorities.

When the Commission was first notified of Mercedes' intention to buy the debt-laden Kässbohrer, Germany's own competition authority, the Bundeskartellamt, opposed the deal on the grounds that the takeover would give Mercedes a dominant position in the domestic bus market.

But in its own initial investigations, the Commission tended towards the opposite view: no other buyers were interested, the situation resulting from the takeover would not differ markedly from other member states, and no customers had objected.

However, the Commission's consultation committee was taken aback by the Bundeskartellamt's strong opposition to the deal and asked the Commission itself to look again and ensure there were no other interested buyers.

Opposition was particularly strong from the French who normally take a more relaxed view of market domination regulations.

A senior Commission official said this stance was motivated more by a French desire to show the Germans that their criticisms of the French national competition authorities were misguided than by genuine competition concerns.

Meanwhile, as the Commission prepared to re-examine the case, Volvo, the Swedish carmaker, declared itself an interested buyer, in what was widely suspected in Brussels to be a purely tactical move to buy the company at a knock-down price.

To complicate matters, the Bundeskartellamt, coming under intense lobbying, changed its mind and said that as the company was about to go bankrupt and that there was an obvious buyer in the wings, the deal should be allowed to go ahead.

According to senior competition officials, the Commission will not make up its mind until the consultation committee has had its second look at the case. But it is far from clear which way the committee will swing.

Either way, the Commission faces a nasty choice over a case that has thrown together all the ingredients that combine to stand in the way of a coherent competition policy in the European Union – national pride, national politics, industry lobbying and tactical manoeuvrings.

If Mr Van Miert approves the deal Volvo will protest, and maybe even challenge the Commission's decision. If he says no, it stands to pick up a bargain.

EUROPEAN NEWS DIGEST

Russia changes Chechen tactics

The Russian army is planning to wind down its operations in Chechnya and transfer responsibility for restoring order to interior ministry troops, defence ministry officials said yesterday. "The army has routed the main armed bandit formations, destroyed a large number of heavy artillery guns and other hardware, encircled Grozny and seized strategic objectives in the Chechen capital," a ministry spokesman said. Mr Viktor Yerin, the interior minister, yesterday travelled to Chechnya to assume control of the operation as Moscow continued to suggest that the worst of the fighting was now over.

Even though Russian forces might soon secure their grip on Grozny, however, they were likely to face stiff resistance from Chechen forces in the southern mountains, as well as in towns such as Gudermes, where 5,000 Chechen fighters are reported to have gathered. Another prominent Russian general yesterday condemned the conduct of the whole operation, saying in a newspaper article that it was poorly planned and badly executed. "The army which everyone feared and of which everyone lived in trepidation turned out to be good for absolutely nothing," said Gen Vladislav Achalov, who commanded the Soviet crackdown in Baku in Azerbaijan in 1990. President Boris Yeltsin is widely expected to announce a radical shake-up of the army next week. *John Thornhill, Moscow*

Opposition to EU-Turkey deal

Turkey and Greece have both warned they may oppose a deal arranged by Mr Alain Juppé, French foreign minister, in Brussels on Monday that would allow a long-delayed customs union between Turkey and the European Union to go ahead next year. In return for withdrawing its veto on the customs union, Greece would be granted its demand for a timetable for the opening of negotiations on EU membership for Cyprus. However, Greece said yesterday it would only give its assent in six days. Mr Evangelos Venizelos, Greek government spokesman, yesterday warned that "the government has reservations until it examines this deal assiduously. It is possible that afterwards it will not agree to this formula." He said Greece still objects to plans for Turkey to get $720m-worth of EU aid a year, which Greece has vetoed repeatedly since 1981.

In Ankara yesterday, Mr Murat Karayalçin, Turkish foreign minister, said he welcomed the formula, but warned that "if only the Greek Cypriot part [of the divided island] joins the EU then it will be an obligation for us to take countermeasures against this". Although Mr Karayalçin did not elaborate, Mr Rauf Denktash, president of Turkish north Cyprus, said last week that he would seek "integration with Turkey" if the Turkish minority's rights were threatened by the Greek-dominated island's entry to the EU. *John Barham, Ankara*

Amnesty attacks Turkish abuse

Amnesty International says in a report today that torture, "disappearances" and extra-judicial killings in Turkey are increasing sharply. The London-based human rights organisation said there were more than 50 cases of "disappearances" – kidnapping and murder of political opponents – in 1994, twice as many as in the previous year. Amnesty blames security forces for perpetrating these crimes "with impunity throughout the country". It criticises the government for "prosecuting human rights defenders and curtailing the freedom of opposition press and political organisations".

The government frequently accuses human rights groups of supporting Kurdish separatists. It banned Mr Jonathan Sugden, Amnesty's chief Turkey researcher, from entering the country last year. The report says violations are most widespread in south-eastern Turkey, scene of an 11-year conflict between security forces and separatist Kurdish guerrillas. It says armoured vehicles and helicopters supplied by western countries have been used in anti-insurgency operations in which human rights violations were committed. The report calls on countries exporting arms to Turkey to ensure they are not used against civilians. Amnesty adds that guerrillas of the Kurdistan Workers' party (PKK) carry out summary executions and kill civilians, despite a promise in December to observe the Geneva Conventions. *John Barham, Ankara*

Industrial investment on rise

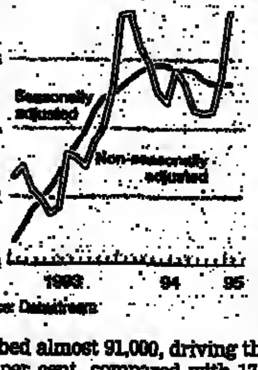
The latest European economy survey, which was released yesterday, gives the most optimistic forecasts of industrial investment since 1989. Investment in industries in the EU was expected to increase by 9 per cent in volume and 12 per cent in value this year after slight declines in 1994. After a 4 per cent drop in industrial investment in Greece last year, volume is expected to increase by 33 per cent this year. In the Netherlands, industrial investments are expected to rise by 20 per cent in 1995, after falling by that much last year. Luxembourg is the exception to the rule, with the forecast of an 11 per cent drop. Overall, the survey said, "there are no discernible signs of any interruption in the economic recovery". The EU economy is expected to grow by an inflation-adjusted 2.9 per cent this year and 3.2 per cent in 1996. In sharp contrast, central and eastern European economies lag far behind and "prospects for strong growth are still not good". The survey added that the economies were still hampered by weak investment, high inflation and huge budget deficits. *AP, Brussels*

Bertelsmann pay-TV optimism

Bertelsmann, the German-based media group, said yesterday it expected to finalise plans for a new pay-television multimedia service, possibly by the middle of the year, after earlier attempts had been rejected by the European Commission. Mr Helmuth Runde, a spokesman for Bertelsmann, the world's second largest media group, said talks which started last December with Deutsche Telekom, the state telecommunications monopoly, Leo Kirch, the Munich-based media mogul, and other parties, were moving towards meeting some of the objections raised by the Brussels ruling. The Commission concluded that the original multimedia project, in which Bertelsmann and Kirch wanted to provide the infrastructure, marketing and booking services for pay-TV through Deutsche Telekom's cable network, would prevent competitors from entering the German pay-TV market. *Judy Dempsey, Berlin*

ECONOMIC WATCH

German jobs trend improves



Unemployment in west Germany fell by a seasonally adjusted 3,000 in January, reinforcing confidence that the improving trend evident since last summer was still intact despite a slight rise in the jobless total during December. The federal labour office blamed cold weather and flooding in the north of the country for a 200,000 increase in the unadjusted figure, which pushed the unemployment rate up from 8.2 per cent to 8.9 per cent, fractionally above the level in January last year. The unadjusted figure for the east climbed almost 91,000, driving the rate up from 13.5 per cent to 14.7 per cent, compared with 17.2 per cent a year earlier. The pan-German unemployment rate, published officially for the first time yesterday, was 10 per cent. Figures also released yesterday showed that east German consumer prices rose 0.7 per cent in January from December and were up 1.8 per cent year-on-year. *Christopher Parkes, Frankfurt*

■ Austrian unemployment, seasonally adjusted, edged higher in January to 278,929 (4.3 per cent of the workforce) from 251,513 (4.4 per cent) in December, but was slightly down on the January 1994 figure of 285,782 (4.2 per cent).

Two days of talks fail to resolve range of contentious differences on EU expansion

Enlargement debate exposes socialist split

Pauline Green: unable to offer clear-cut positions

By Lionel Barber and Caroline Southey in Brussels

A debate over how to reorganise the European Union, while extending it to central and eastern Europe, has exposed splits within the powerful socialist group in the European parliament. The discussion foreshadows battles between member states at the 1996 inter-governmental conference.

After two days of talks between socialist members in Brussels, Mrs Pauline Green, British leader of the group, was unable yesterday to offer clear-cut positions on a range of contentious issues on the conference agenda. But she promised to put a paper to the vote within the next fortnight.

The main differences are over the extent to which the EU should adopt qualified majority voting in an enlarged Union of up to 30 members; the role of the European Commission as a quasi-government; the preservation of national vetos; the operation of a common foreign and security policy; and the necessary conditions for European monetary union.

However, a broad consensus emerged on one important point: that the EU cannot expand into eastern Europe, as well as Cyprus and Malta without an overhaul of Brussels' decision-making machinery. This, members agreed, was the biggest challenge facing the 1996 conference.

The starting point for this week's debate was a paper by Madame Elisabeth Guigou, the former French minister for European affairs who won her seat in the Parliament in last year's elections.

To the dismay of some of her colleagues, Madame Guigou's paper was cautious in its proposals for institutional reform, rejecting calls for extensive new powers for the parliament and holding firm against calls to reopen the convergence criteria for monetary union.

Her stand on Emu remained intact this week, though MEPs insisted that more attention needed to be paid to unemployment and uniform social policies in Europe. Pleas were also made for financial aid to countries such as Spain, Italy, Greece, and Portugal unlikely to join the first group entering a monetary union.

Madame Guigou, who helped to negotiate the Maastricht treaty in 1990-1991, also stressed that the Union should proceed with more flexible arrangements which would allow countries to opt out of common policies only as a last resort – a rebuff to German advocates of a hard-core of committed integrationists.

Some 50 socialist MEPs – almost a quarter of the 221-strong group – spoke in the two-day debate which one participant described as "vigorous but good spirited".

Mrs Green said her forthcoming paper, which may be put to a vote in Strasbourg next week, would not be written in tablets of stone. In a hint of the ideological battles lying ahead, she added: "We want to be able to respond and adapt policies as developments take place."

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NEWS: EUROPE

Chirac and a strike enliven Elysée race

By David Buchan in Paris

Campaign strategists for Mr Jacqnes Chirac yesterday sought to keep the presidential race an all-Gaullist affair by launching a concerted attack on Mr Lionel Jospin, the newly-nominated Socialist party contender and on the relevance of left-right politics.

The move came as hundreds of thousands of teachers and students went on strike yesterday over a variety of grievances. Socialist sympathy for the strike helped give it political overtones, possibly heralding tougher times ahead in the campaign for the right-wing candidates.

After the Socialists' swift and surprisingly harmonious nomination of Mr Jospin, the Chirac camp fears that the Socialist candidate may rise to push their man out of second place in the polls, behind the continued front-runner, the prime minister, Mr Edouard Balladur. Only the top two scorers in the first round of voting in April go through to the run-off in May.

Mr Alain Juppé, who is Mr Chirac's most powerful backer, as foreign minister and interim president of the RPR Gaullist party, yesterday called Mr Jospin "a pure product of the socialism of the 1970s and 1980s". Others decried the traditional left-right debate as outmoded, because Mr Chirac was really now the people's standard-bearer against Balladurian conservatism.

"Gone are the days when the debate was between a left which represented the common people and a right representing the well-to-do," said Mr Jacques Toubon, the culture minister and one of four in the Balladur cabinet who have sided with Mr Chirac in Gaullism's current civil war. Today, it is Mr Chirac "who thinks like the people", said Mr Toubon. Mr François Baroin, the 28-year-old Gaullist deputy whom Mr Chirac has chosen as his campaign spokesman, echoed the refrain that Mr Chirac provided the only radical challenge to the prime minister.

However, the impression of a traditional left-right clash was reinforced yesterday when teachers and students demonstrated in Paris and some other cities. Teachers organised the one-day strike in all schools, from kindergartens to universities, in protest at poor pay and conditions, and many students joined in out of concern at a recent official report recommending that universities should be given more freedom to raise their fees.

The Socialist party has always been very strong among the teachers, a fact symbolised by Mr Jospin, a former economics professor and an ex-minister of education.

Cabin crew at the national airline, Air France, also went on strike yesterday to protest against "chronic under-staffing". An Air France spokeswoman said the airline maintained all scheduled long-haul flights and covered 70 per cent of its medium-haul routes with the help of chartered aircraft.

Meanwhile, Mr Jospin's wider left-wing appeal became evident yesterday when Mr Jean-Pierre Chevènement, a leading ex-socialist, indicated he was attracted by Mr Jospin's sceptical view of European monetary union, while two ecologist leaders sought talks with Mr Jospin. More crucial, however, was the meeting last night of leaders of Radical, the left-wing party in which Mr Bernard Tapie is prominent, to determine its attitude to Mr Jospin.

For their part, campaign strategists for Mr Balladur have expressed relief at seeing the Socialists at last field a candidate who might make it into the run-off, if only to avoid the embarrassment for the prime minister of continuing his fratricidal intra-Gaullist contest with Mr Chirac until the bitter end. The longer the Balladur-Chirac contest continues, the longer it prolongs the tension between the prime minister and Mr Juppé.

Striking teachers and students marching on the Champs Elysées yesterday in a one-day 'kindergarten to university' protest AP

Few glasses raised to Swedes' EU entry

Membership has not changed a restrictive market in alcoholic drinks, writes Christopher Brown-Humes

If Swedes were hoping that European Union membership would end the long Friday afternoon queues for over-priced drink in state monopoly off-licences, they will have been disappointed. With alcohol sales banned at weekends, the inconvenience and cost of buying liquor is set to continue indefinitely in spite of the EU's stringent anti-monopoly rules.

The reason is that Systemholaget, the retailing chain, has been allowed to retain its monopoly under a special EU exemption. High prices for spirits have eased slightly because of tax harmonisation, but there have been corresponding increases for some wines and beers.

Much bigger changes have taken place at Vin & Sprit. To comply with EU rules on free movement of goods and non-discrimination, the company has lost its monopoly over alcohol imports and exports, wholesale activities and spirits production.

It opens the way for big domestic wholesale groups, such as ICA, and international companies, such as Grand Metropolitan, to grab a slice the of a SKr5bn ($670m) a year market. Vin & Sprit expects to lose as much as 50 per cent of its business as the number of products it handles falls from 2,000 to about 500. Up to a third of its staff will be laid off. However, the group will remain a considerable force in the market, not least because it boasts Absolut Vodka, one of the world's best selling drinks, as its leading brand.

Chronic alcohol-abuse across the Nordic region during the 19th century is the main reason for the puritan regime, which can be found not just in Sweden, but in Norway and Finland.

"We want to cut down on alcohol-related problems, covering everything from liver cirrhosis to drunken driving and domestic violence," says Mr Gabriel Romanus, Systembolaget's president. He notes that Sweden has one of Europe's lowest alcohol consumption rates at around 6.3 litres per adult a year compared with Denmark at 11.7, Germany at 10.9 and the UK at 7.4, as well as one of the lowest death rates from liver cirrhosis. Sweden's total alcohol-related deaths have been estimated at 7,000 a year.

Sweden: drink and death

Predicted increase in deaths related to alcohol if consumption should rise: current consumption is 6.3 litres per adult per year

	Current number of deaths	+1 litre	+1.5	+2.5	+5
		Increase in deaths			
Illnesses	1,860	300	460	850	2,140
Accidents	3,360	210	330	560	1,230
Suicide	1,580	130	210	360	810
Homicide	130	10	20	40	100
Total	6,930	650	1,020	1,810	4,280

Source: Report commissioned by Systembolaget

The issue was a sensitive one in the EU accession talks, not least because there were threats that Sweden's strong temperance movement would oppose membership if the country was forced to abandon its restrictive policies on alcohol consumption.

Indeed, research commissioned by Systemholaget to support Sweden's case forecast alcohol consumption would rise by five litres a person if the retail monopoly was scrapped and prices fell to German levels. This could lead to 4,300 more deaths a year and 22,000 more non-fatal assaults, the report's authors say.

Nevertheless, the policy is controversial. Opponents say the "nanny state" should not be able to dictate people's drinking habits. They also point to widespread evasion of the restrictions through home-distilling, smuggling, and a buoyant duty-free industry.

A recent poll showed 60 per cent of the population wanted wine and beer to be sold through normal grocery stores – a move which it is estimated would increase the number of sales outlets from 1,000 to 8,000.

But the popular mood and the political mood are out of kilter. None of Sweden's main political parties has publicly campaigned for an end to the monopoly.

Cynics say the Social Democratic government has little incentive to change a system which brings in SKr17bn a year in taxes - more than one per cent of GDP – at a time when it needs to plug a huge hole in its finances.

But even the opposition right-wing Moderate party, which is firmly opposed to most monopolies, is silent on the issue. "It's hard to explain," shrugs Mr Ulf Kristersson, a Moderate MP, "Swedes have some kind of hang-up on alcohol." He acknowledges that formal abolition of the system looks unlikely.

The regime may, however, gradually wilt under pressure from external influences. This has happened in Denmark since it joined the EU because Danes have been buying large quantities of cheap wine and beer in neighbouring Germany, forcing domestic prices downwards.

Sweden was careful to gain an exemption from the normal EU rules on duty-free allowances, but even so the amount of duty free wine and beer that Swedes may bring into the country has gone up sharply since the New Year.

This leads Mr Romanus to expect that "it will gradually become more difficult for us to carry out our price policy", but he is adamant that the other deterrents, including limited availability, will remain in place.

The other threat to the policy is a legal one. Indeed one disgruntled Swede has deliberately flouted the alcohol sale rules in the hope that the EU court will decide that the Swedish system is an unacceptable infringement of the Treaty of Rome. If he wins his case, Sweden's century-long restrictions on alcohol sales could be at an end.

Ronald van de Krol reports on a postal service unique in the EU

Dutch mail chauvinism

There can be few places in the world where it is easier to run a postal service than the Netherlands.

With no mountain ranges to impede transport, no remote villages that need to be served and no part of the country that is more than a three-hour drive from the centre, the Dutch PTT is able to deliver 93 per cent of all post by the next day, and 99.8 per cent of letters get to the correct address on the first try.

However, it is not geography that spells success for the Netherlands' postal service, known as PTT Post. Part of the explanation is the company's high degree of automation. By the end of the decade, 98 per cent of all letters will be sorted by machines rather than by people.

But another key reason why PTT Post is doing so well is thet it is managing to divert international postal flows to the Netherlands from overseas.

Thanks to a joint venture with the Dutch airline, KLM, the Dutch postal service flies in foreign post, mainly magazines and periodicals, in bulk to the Netherlands. It then wraps, addresses, labels and ships the magazines on to the rest of Europe, often by its own road haulage company, Trucknet. The Dutch postal service's trucks provide direct transport links to more than 20 European destinations.

Mr Paul Jackson, chief executive of Triangle Management Services, a UK consultancy specialising in the postal industry, says the Netherlands' lead in the field of "remailing" is due partly to the fact that they were the first European post office to start pursuing cross-border business in the 1970s. "They effectively developed the market," he says.

The Netherlands' biggest competitor in European remailing is the UK's Royal Mail, whose strength is based on the wide range of destinations served by airlines using London's Heathrow airport.

PTT Post's aggressively commercial stance, far from springing from geography, seems to draw mainly on the Netherlands' own tradition of liberalised postal services.

PTT Post is not only profit-making, which sets it apart from other European postal services with the exception of Britain and Sweden, but it is also stock market-listed following last year's privatisation of Koninklijke PTT Nederland, the Dutch telecommunications and postal holding company.

This special status among European PTTs allows the Dutch to be more entrepreneurial, Mr Jackson says. "They don't have the dead hand of the Treasury or a government department hanging over them," he says.

PTT Post is anxious not to reveal its remailing clients, but they are known to include US banks, which need to send statements and consumer fliers to clients in Europe, as well as US computer software companies, which like to supply users of their programmes regular updates and promotions.

Other analysts have estimated that 20-25 per cent of Europe's foreign periodicals pass through the Netherlands. With sales and sorting offices in the US, Canada, Singapore, Thailand, the UK and Prague, PTT Post has clearly developed into much more than a domestic mail-sorter and deliverer. In 1993, the last year for which complete figures are available, its international activities accounted for Fl 472m ($277m) in turnover, nearly 10 per cent of total sales and a 7 per cent increase on the year before.

'PTT Post does not have the dead hand of a government department hanging over it'

Since 1993 the Netherlands' 2,100 post offices have been run as a 50-50 joint venture between PTT Post and ING Group, the large Dutch financial services company which owns the Postbank, the country's post-giro bank.

Compared with other European post offices, PTT Post has a relatively small monopoly at home. Its exclusive rights to deliver post end at letters weighing 500 grammes, compared with up to 2kg in other countries. At the same time, PTT Post's own postal rates are relatively cheap, some 10 per cent lower in real terms than the European average.

PTT Post's avowedly free-market philosophy and its emergence as an important "remailer" have started putting it at odds in other ways with fellow postal authorities in Europe.

In mid-January the Netherlands, with the lone support of Spain, blocked the adoption of plans to increase cross-border charges between European post offices.

The Dutch are also increasingly vocal champions of European liberalisation of postal traffic. By the end of the century, PTT Post estimates its monopoly on the delivery of private letters in the Netherlands will generate just 25 per cent of its turnover, half the current 50 per cent rate.

NEWS: INTERNATIONAL

Israel rules out devaluation of shekel

By Julian Ozanne in Jerusalem

Israel's central bank has rejected a one-off devaluation of the Israeli shekel, in spite of growing pressure for such a move from manufacturing industry.

In an interview with the Financial Times, Mr Jacob Frenkel, Bank of Israel governor, said: "I am not going to upset the very stability of the economic system to suit one sector or one interest group."

At the same time, he criticised the recent cancellation of an unpopular capital gains tax on stock market profits as "unfortunate", saying it had hurt the government's credibility. He warned ministers against being tempted to make short-term policy for popular gain before next year's elections.

"The exchange rate regime is the core of our stability," Mr Frenkel said. "It gives certainty to industrialists to make plans and forecasts. In an economy wishing to stabilise and fight inflation this is an extremely important pillar."

Mr Frenkel's comments signal the determination of the central bank to maintain its tight monetary policy, using high interest rates to fight inflation, which reached 14.5 per cent last year. He urged the government to hold firm against pressure for an early devaluation, sharply criticising the growing populist economic lobby inside and outside the government ahead of the elections.

Israeli manufacturers argue that a devaluation is essential to restore export profitability. They say last year's depreciation of the shekel against the dollar of only 1.1 per cent meant a severe loss in competitiveness.

Mr Frenkel maintains that although the shekel depreciated only marginally against the dollar, it depreciated by 6 per cent against the basket of currencies to which it is pegged and by 12 per cent against the D-Mark. Exports, almost half of which go to Europe, remained buoyant. As for inflation, the biggest contributory factor was the increase in housing costs, which do not affect manufacturers directly.

The governor was optimistic there was a growing anti-inflation lobby in Israel which would support the bank's continuing tight monetary stance and he said data were beginning to show that inflationary expectations were coming down. But he said it was still premature to declare victory.

"If and when I am convinced that I am solidly on the trajectory consistent with an inflation target of 8-11 per cent, then a gradual reduction of interest rates might be warranted," he said. "I want this to be transparent and absolutely clear to the market."

Mr Frenkel said there had been clear signs of over-heating in the economy last year, with growth of 6.7 per cent, a rapid fall in unemployment and a sharp increase in public and private consumption. "We needed to slow the economy down to achieve sustainable growth," he said, forecasting a growth rate of between 4 and 5 per cent this year.

Saudis poised to change habits of a lifetime

If economic reforms go ahead, the royal family's grip will loosen, our **Middle East Staff** reports

The ruling family of Saudi Arabia, owners of 25 per cent of global oil reserves, linchpin of western energy security interests in the Middle East, and victim of a prolonged cash crisis caused by rising expenditures and static oil revenues, last month took its first tentative steps into the unknown.

If King Fahd Ibn Abdul-Aziz Al-Saud sticks to the programme outlined by the International Monetary Fund in its latest staff report, he will have to release the grip he and his family have on the country. If he ignores even part of the IMF's recommendations, and the deficits continue, there will, says the IMF, be "serious consequences for the economy and the sustainability of the exchange rate".

A measure of the king's leadership will be whether he can loosen financial control without losing political authority.

If the IMF prescriptions are followed, Saudi Arabia's 12m citizens will end up, for the first time, paying market prices for all public services. The government will be selling off state and quasi-state companies to the private sector. It will be creating a freely competitive market to provide job opportunities for the country's "growing populations". It will encourage commercial banks to hold shares in manufacturing industries. It will entice foreign investment and provide incentives for wealthy Saudis to repatriate some of the $300bn (£192.3bn) they keep abroad.

Saudi bankers say the IMF's recipe for fully-fledged privatisation entails the creation of a new legal framework, transparency of ownership, public accountability, and an efficient stock exchange to ensure, in the IMF's words, "a widening and deepening of the financial and capital markets". The state – the ruling family – will have to give up its pre-eminent role in the life of every citizen as money and power inexorably move away from the centre.

Initial reaction to the budget has been positive. Diplomats in Riyadh speak of "widespread acceptance among Saudis that the price hikes are necessary" and that the king "was right in making people aware of the problems".

But King Fahd has not told the public the reality of what is in store: almost immediately after the budget he told the new session of the country's nominated consultative assembly that increases in public service charges were "temporary". He talked about a budget based on rationalising spending "without affecting the life of the people". But in the IMF's opinion, the budget cuts are only the first step in a process of state deregulation which will change the lifetime habits of every Saudi.

Like the other Gulf states, Saudi Arabia is in effect a private state "company" belonging to the ruling family. The head of the family owns the principal assets: oil and gas.

In return for having no say in how the "company" is managed, Gulf citizens have remained content with handsome dividends in the form of free public services paid out of inflated oil prices. But now the "company" has abundant assets but no cash flow; and, according to the IMF, no more cash reserves.

The IMF's latest report contains three essentials. First, the kingdom has run out of liquid overseas assets, reserves it can draw down in an emergency. Before the 1990/91 Gulf war, it could boast something near $120bn. Now they are down to $64.9bn, impressive enough at first sight were it not for the fact that they are all either committed or exist only on paper.

More than a third, the IMF says, is needed to cover the issue of the currency; another third is held against letters of credit, mainly for public sector imports. "Neither portion is at the disposal of the government and, therefore, is not available for its use." The final third includes "claims on certain developing countries which are either bankrupt or have no intention of repaying.

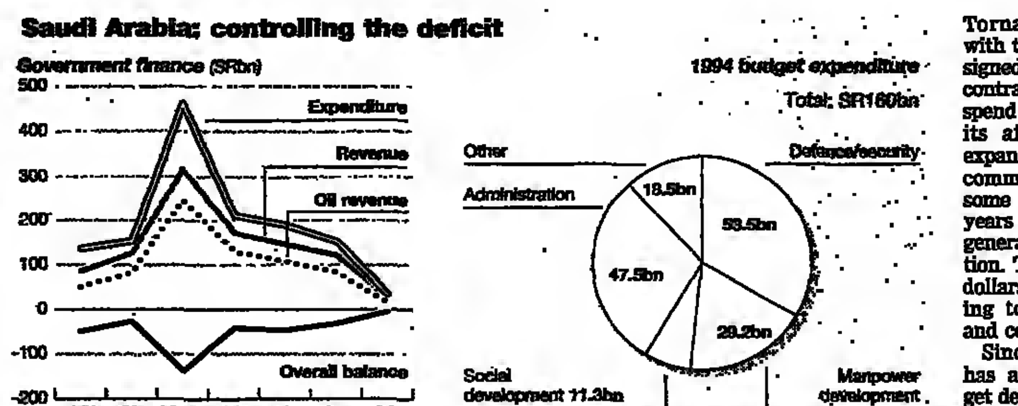
Second, the IMF says, partial or temporary cuts in state subsidies are not enough. It wants "the early elimination" of subsidised credit through the specialised credit agencies, and a blanket "re-organisation of public expenditure priorities". These measures would lead to self-sustaining growth based on wholesale privatisation and the creation of an investment climate favourable enough for the current account deficit to be financed by private capital inflows.

Third, the IMF makes the gloomy prediction that even if its recommendations are carried out, the budget deficit will not improve because of continuing weak oil prices.

To make matters worse, the kingdom is already committed to $80bn in capital expenditure. It has ordered $30bn worth of weapons from the US, on which payment of $9.2bn was rescheduled last February beyond the original two years. It has to find, from oil deliveries translated into cash, more than $20bn to pay for the Tornado/Al-Yamamah deal with the UK. Last November it signed a $3.7bn naval defence contract with France. It is to spend $6bn on a new fleet for its airline, Saudia; $4bn to expand and modernise the telecommunications system; and some $10bn over the next five years on increasing electricity generation and water desalination. Then there are billions of dollars reported to be outstanding to government suppliers and contractors.

Since 1988 the government has accumulated annual budget deficits of more than $90bn. Much of this has been paid for by running down reserves and by borrowing domestically. Both of these doors are now shut. Last October one leading international insurer, quoting the "very grave" Saudi financial situation, restricted short-term export credit cover. Recent state and semi-state borrowings had to be mandated under English law because international banks are not happy with lending under Saudi jurisdiction.

The good times are over. Dissent, in the form of what the authorities have described as "seditious" pamphlets and unauthorised public gatherings, has surfaced in the last six months in Bahrain, Oman, and Saudi Arabia itself, resulting in hundreds of arrests. Possibly the greatest task confronting Saudi Arabia is for its ruling family to have the courage to bite the bullet.



INTERNATIONAL NEWS DIGEST

Boesak 'misused aid agency funds'

Mr Allan Boesak, the South African church leader and ambassador-designate to the United Nations in Geneva, has been found responsible for misappropriating funds from aid agencies, according to the result of an investigation reported by AFP in Cape Town.

The news agency reported that an investigation carried out by a Johannesburg law firm said Mr Boesak had enriched himself substantially. The report said the trustees of the Foundation for Peace and Justice had carried out their duties in a "cavalier and reckless fashion".

Mr Boesak has denied impropriety and he claims that his financial affairs were being handled by the foundation's director. The investigation report said: "He justifies a monthly income – far in excess of what can reasonably be expected and numerous other benefits – by saying he left his personal affairs to others." This, said the report, was not a plausible explanation.

The investigation had looked into the use of some $762,000 (£490,000) donated by Scandinavians. President Nelson Mandela suspended Mr Boesak's appointment to Geneva pending the outcome of the inquiry. *Roger Matthews, Johannesburg*

Kuwait to cut budget deficit

Kuwait wants to cut a Gulf war-bloated budget deficit by almost a third in 1995-96, Mr Nasser al-Rodhan, finance minister, was reported as saying yesterday. He told al-Watan newspaper the government expected to earn 14 per cent more from oil in the year from July 1 and its crude should fetch $1 a barrel more than in the current year. Mr Rodhan said his proposed budget projected a KD1.088bn (£2.3bn) net deficit, 27 per cent below the deficit projected for fiscal 1994-95. He gave no indication as to how the deficit would be financed.

The deficit mushroomed after Kuwait's liberation from Iraqi occupation because of heavy spending on war costs, reconstruction and rearmament at a time when its oilfields, source of most state revenue, were out of action or producing at low volume. *Reuter, Kuwait City*

Algerian FIS leaders missing

Algeria's Islamic Salvation Front (FIS) said yesterday it no longer knew the whereabouts of its two top leaders. Mr Abassi Madani and Mr Ali Benhadj were released from jail last September and placed under house arrest. People close to the FIS say they have not heard from the two leaders since last week's bomb explosion in Algiers. Members of the FIS's consultative council, who visited Mr Madani and Mr Benhadj every day, have not been allowed to see them for a week.

Some reports suggest that Mr Madani, who suffers from an ulcer, may be in hospital. The London-based Arabic daily Al-Hayat, however, says the army-backed authorities, judging that the two leaders have done little to reduce the violence, have sent them back to prison. *Roula Khalaf, London*

UN sends mission to Burundi

A United Nations fact-finding mission to Burundi and Rwanda is expected to leave New York tomorrow amid fears that Burundi may suffer a repetition of the slaughter that decimated Rwanda last year, diplomats said.

In Rwanda, Tutsis dominate the government after fighting their way to power last year following slaughter of their kinsmen, mainly by militant Hutus. But in Burundi the Hutus dominate a coalition government which the main Tutsi-dominated opposition party has threatened to overthrow by force. *Reuter, New York*

NEWS: WORLD TRADE

First world TV service in Chinese next year

By James Harding

The first worldwide television service in Chinese is due to come on air early next year, when China Central Television, the state TV station, starts broadcasting from a global satellite network.

The agreement announced yesterday to use PanAmSat, the US-based satellite service provider, will enable CCTV to reach an audience of more than 40m Chinese speakers living outside China. CCTV, which already broadcasts in Asia from a PanAmSat satellite, will also offer 24-hour programmes to audiences in Europe, Africa and America once PanAmSat's Atlantic Ocean region satellite is launched in December.

Mr Andrew Jordan, PanAmSat's regional vice-president for Asia, said CCTV's aim was "to provide a service for people living overseas to keep in touch with what's happening in China and, in particular, a cultural springboard for keeping the children of Chinese people living abroad in touch".

PanAmSat will provide one channel on its Pacific Ocean service satellite and two on the Atlantic Ocean satellite for at least five years, allowing CCTV to provide a state news service as well as a range of Mandarin Chinese entertainment programmes.

CCTV began broadcasting to Asia and parts of North America at the end of last year using PanAmSat's Pacific orbiter, PAS-2. The Atlantic Ocean orbiter, PanAmSat 3, was due to start service last December but a launch failure forced PanAmSat to postpone take-off by 12 months.

PanAmSat offers services in over 85 countries. Its PAS-1 orbiter, launched in June 1988, transmits more than 60 full-time television channels in Latin America. PAS-2, the Pacific Ocean service, began in August 1994. PAS-4 will be launched over the Indian Ocean in mid-1995.

Chinese speakers in Europe currently receive five hours of late-night Chinese language programming if they subscribe to the Chinese Channel, a private satellite broadcaster.

A steamroller destroys 100,000 copies of pirated videos and laser discs during a crackdown on counterfeiters in Taiwan AP

Business sees red over piracy

Simon Holberton on Hong Kong's struggle against counterfeiting

Mr Gary Tse, the manager of a computer store at the Golden Shopping Arcade in the New Territories suburb of Sham Shui Po, knows he is fighting an uphill battle. "They can put everything on CD-Rom these days," he says.

Mr Tse specialises in selling software and printers. He is currently trying to sell authentic versions of Encarta 95, a CD-Rom encyclopaedia developed by Microsoft, the US manufacturer of software for personal computers, for HK$440 (US$56.90). But Mr Tse has not sold many copies; one floor below shoppers can buy a copy of Encarta 95, made just across the border in Shenzhen, for HK$220.

To add insult to injury even Software Collection, the name of Mr Tse's company, has been purloined by the software counterfeiters. In the Golden Arcade a two-CD compilation of 70 computer programmes is being marketed under the name "Software Collection". The CDs are being sold for HK$600, but contain programmes which, if bought legally, would cost closer to HK$200,000.

It is in shops like Mr Tse's and shopping centres like the Golden Arcade that the current trade dispute between the US and China about the protection of intellectual property becomes real. Counterfeiters are making lots of money at the expense of legitimate vendors and the companies whose products they sell.

China this week responded to a US offer of further talks on intellectual property rights and more negotiations will take place in Beijing next week. Ms Stephanie Mitchell, vice-president of the Business Software Alliance, a group which brings together computer software manufacturers, says the Chinese government misjudged the level of anger in the US business community.

Frustration over piracy of the US film The Fugitive spilled into China's newspapers yesterday in a timely illustration of the state of intellectual property protection, Reuter reports from Beijing. In a notice in the People's Daily, the state import monopoly ChinaFilm denounced what it called "serious violations" of the film's copyright by local cable television stations and videotape factories.

The attack gave new evidence that piracy is committed not only by rogue manufacturers churning out bootleg compact discs and videotapes, but also by units of the government. All broadcast and cable television stations in China are owned by the state. An official in ChinaFilm's legal department said the wide scope of piracy called for sweeping enforcement and that China's new intellectual property courts had yet to bare their teeth.

"This is a completely business issue. We want them to shut down the manufacturers [of counterfeit software] and then raid and shut down the retailers and continue to do it," she says. She estimates the loss to US software manufacturers is up to US$400m.

The US has presented the Chinese government with a list of 29 factories which it claims are making 75m pirated CDs a year, or 25 times China's domestic demand.

Some analysts have said the problem of piracy is so widespread in China that the Beijing government is virtually powerless to stop it. Ms Mitchell counters by saying that if these factories were producing "subversive" literature the Beijing authorities would have little difficulty in closing them. "It is matter of will, not resource," she says.

The same could be said of Hong Kong, where the government is under increasing pressure from the US to stop the flow of pirated CDs through the colony and within its borders. Mr Mickey Kantor, the US trade representative, said in Washington last week that Hong Kong and Taiwan should do more to curb the circulation and distribution of counterfeit software and music CDs.

US officials in Hong Kong believe Hong Kong's legal penalties for counterfeiting are inadequate. They have, however, taken encouragement from a government promise to consider bringing forward from next year to this year a planned revision of the law.

Hong Kong has stepped up its efforts to curb the distribution of counterfeit goods, albeit from a low base. Last year it prosecuted 76 individuals for trafficking in counterfeit CD-Roms, up from only two in 1993. Last year some 5,406 CD-Roms were seized by customs.

For retailers like Mr Tse the government is not doing enough. "They do not respond when I complain," he says.

"All we have to sell is knowledge," says Ms Mitchell, who is also Asia-Pacific legal counsel for Auto Desk, a US manufacturer of computer-aided design software.

"Software Collection" offers copies of three of her company's products, each of which would retail in the US for about US$4,000. She says the production of pirated software in China is far in excess of consumption on the mainland and is being exported. "It is going around the world; piracy is no respecter of borders."

Microsoft is a particular target for the counterfeiter. It is taking legal action in Shenzhen against a company which has counterfeited the hologram Microsoft applies to its products to signify their authenticity. Mr Laurie Kan, the company's managing director, says counterfeit products bearing the fake hologram have been found in Hong Kong and elsewhere.

To Microsoft's fury the counterfeit version of Encarta 95 was on sale in Hong Kong weeks before its official launch last December. Mr Kan says the flow of counterfeit CD-Roms in the colony has become a torrent. "It is by far the most serious threat to the local legitimate software industry today."

Dubal to double cast metal production

By Robin Allen in Abu Dhabi

Dubai Aluminium Company (Dubal), the Gulf's leading producer of billet and high-grade alloy, is to spend $500m to double production of cast metal to 375,000 tonnes a year. Construction work on the two-year programme will start at the end of this month.

Dubal will put up half the financing. The rest is being raised under a five-year syndicated loan underwritten by Merrill Lynch, to be presented to banks today.

Mr Ian Rugeroni, Dubal's chief executive, said bids for the two extra turbines were already being evaluated and tender documents for 60 other components including power, civil construction and cast works were being issued. Dubal will be its own managing contractor. Overall consultant is Admont of Montreal.

Mr Rugeroni, a former executive of Aluminium Company of Canada, said the expansion of the pot cells, carbon plant and casting facility would be completed with Dubal's own technology. Known as CD200, it was developed by Dubal and Australia's Comalco.

National Bank of Dubai and Emirates Bank International, both owned by the Dubai government, are co-arranging the loan for the balance. The "stand-alone" deal – without a government guarantee – is the first to be arranged for the industry in the Gulf.

Dubal indicated that the derivative-linked loan was dependent on future prices and involved hedging against purchase prices already secured by Dubal for its raw material. The hedge also gives Dubal a price-floor of $1,750 per tonne, below which the repayment rates will be reduced. The five-year loan is a six-month floating rate note at 50 basis points above Libor. Repayment will be in six instalments starting 2½ years from the drawdown date at the end of next March.

Dubal last year produced over 273,000 tonnes of cast-metal. Nearly 40 per cent of sales went to Japan, with most of the rest to Korea and Taiwan.

WORLD TRADE NEWS DIGEST

Swiss buyer for Ukraine concern

Ukraine yesterday finalised its first open tender sale of a state-owned company to a foreign investor. Kraft Jacobs Suchard (KJS), the Swiss confectionery and coffee producer, acquired an 88 per cent stake of the Ukraina Chocolate Factory in Trostianets. The $25m deal is the first strategic investment in Ukraine's confectionery market and puts KJS among the former Soviet republic's 10 biggest foreign investors.

Until now, western business entered the second largest Soviet republic through joint ventures, start-ups, greenfield investments and a tiny secondary market. Total direct foreign investment remains low at $366.4m for the first nine months of last year, according to the statistics ministry. The US and Germany account for 40 per cent of investment. *Matthew Kaminski, Kiev*

Kobe prefab homes ordered

Schal Bovis, a subsidiary of the British construction company Bovis, has won an order for 500 houses to be built as temporary homes for some of the 270,000 people who lost their homes in last month's earthquake in Kobe, Japan. The houses, to be made mainly by the British company Tilden to a plan being developed in Japan, will be shipped from the UK using panels in knock-down form, with construction to begin by local Japanese contractors in early March. Under the government plan, 1,000 prefabricated houses will be imported to make up for the shortfall in temporary housing that can be provided by domestic manufacturers. The houses are expected to be torn down after two years. *Michiyo Nakamoto, Tokyo*

■ Samsung Electronics, a unit of South Korea's Samsung Group, said it would sign a $42.5m joint venture deal next Monday to produce white goods to the Chinese region of Suzhou. Samsung Electronics said it would hold an 80 per cent stake and its Chinese partner Suzhou Xiang Xuehai Electric Appliances the remaining 20 per cent. Production, mostly of refrigerators and microwave ovens, will begin this July for sale in China. *Reuter, Seoul*

■ Diversified Resources Berhad of Malaysia has signed an agreement with Kawasaki Heavy Industries and Nissho Iwai to design and make a Malaysian motorcycle. The partners intend to set up a factory in the north Malaysian state of Kedah with a capacity to produce 350,000 motorcycles a year for both the domestic and export markets. DRB said it would hold 70 per cent of the issued and paid-up capital of the joint-venture company, with Kawasaki and Nissho Iwai holding the remaining 30 per cent. *Reuter, Kuala Lumpur*

■ Piaggio of Italy and India's LML will invest Rs2bn ($65m) to build the world's biggest scooter plant, in the north Indian city of Kanpur. *Reuter, Kanpur*

■ Norway's state oil company Statoil has signed a letter of intent with the Malaysian Petronas state oil company and US company Conoco for 15 per cent ownership in a Malaysian refinery. Statoil said the tentative deal involved Petronas' Melaka II refinery, which will come on stream in 1998. Melaka I came on stream last year. *Reuter, Oslo*

■ Saab-Scania of Sweden said its truck and bus unit Scania had received an order for 10 double-deck buses from Kowloon Motor Bus, one of three companies that manage city transportation in Hong Kong. The order represents Scania's entry into a market dominated by two companies. *AFX, Stockholm*

■ The Philippines has rejected a proposal by Occidental Energy Ventures, an affiliate of Occidental Petroleum subsidiary Midcon, to convert two unused power plants into gas-fired plants. OEVC proposed converting the 620MW Bataan nuclear power plant and the 850MW Sucat thermal power plant into natural gas plants but the Energy Ministry said this would lead to overcapacity and a rise in rates. *Reuter, Manila*

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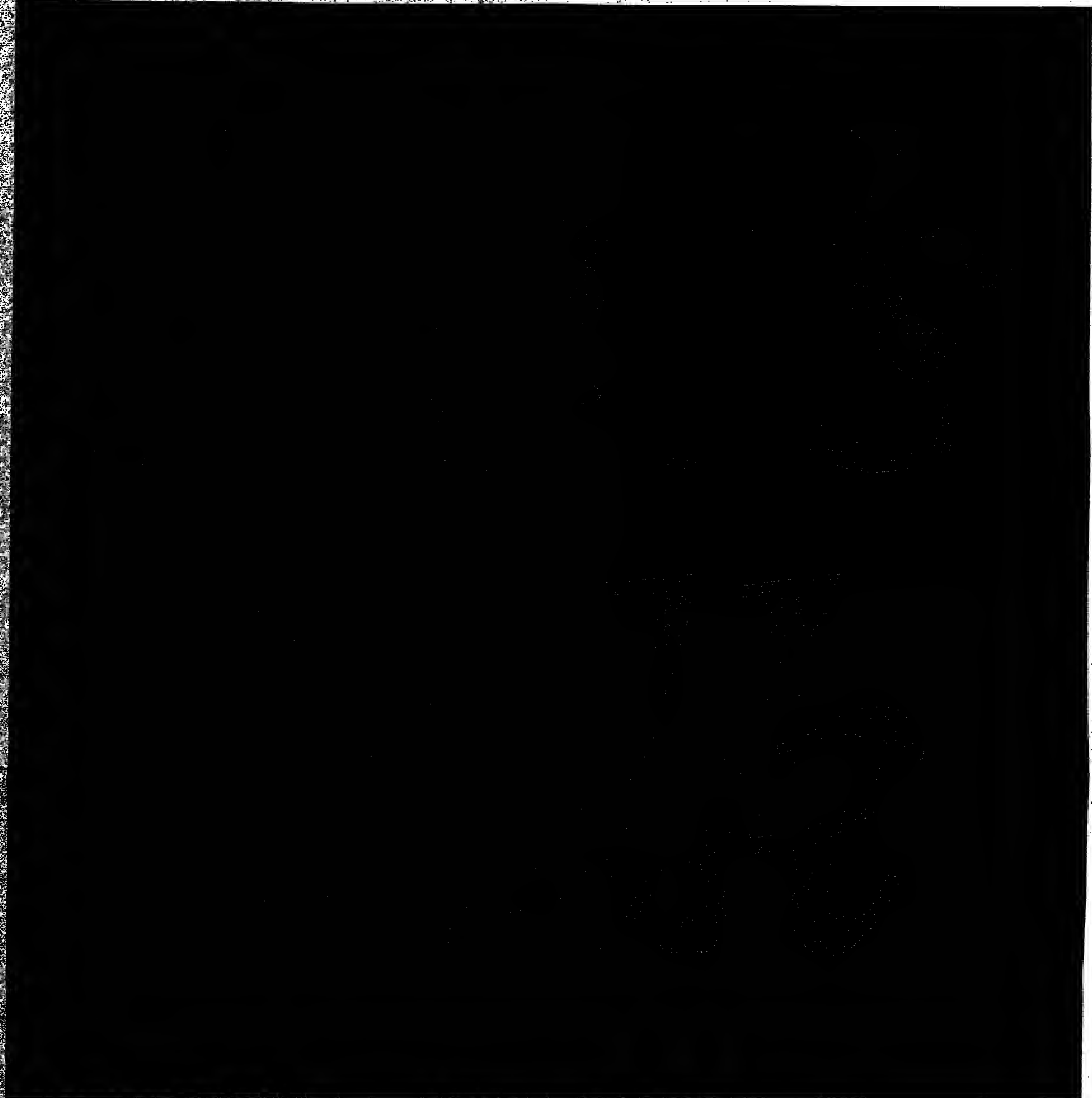

صكذا من الاهل

'It's just a few hundred folks trying to share out $2bn'

Jurek Martin and George Graham on the dispute Jimmy Carter declined to try to solve

President Bill Clinton was ready last night to swing the chief executive's bat to try to force a settlement of the six-month baseball strike.

The president had extended his original negotiating deadline of 5pm on Monday – 100th anniversary of the birth of Babe Ruth, the legendary slugger – for the 28 team owners and striking players to end their complex dispute, which cut off the sport's last season in August and threatens the existence of the season due to start in April.

But Mr William Usery, the former labour secretary Mr Clinton has appointed to mediate in the dispute, could not persuade the owners and the players even to meet on Monday. Assuming no bottom-of-the-ninth-inning breakthrough, Mr Usery was expected to present his own proposals for settling the strike yesterday afternoon.

"I refuse to be pessimistic, although it is very difficult to seem to find a voluntary agreement between the parties," Mr Usery said.

The gap between the two sides remained wide yesterday, in spite of modest concessions offered by both over the weekend.

The owners, under legal pressure, withdrew the team salary cap imposed last year and the players lifted their prohibition on union members signing contracts, only to find the owners forbidding teams from signing such contracts prior to a settlement.

Disagreements among the owners have contributed to the stalemate, particularly over the critical issue of revenue-sharing between the rich and poor sides.

Some owners object to the proposal to start next season with "replacement" players from overseas and the minor leagues. The Montreal and Toronto teams are prevented by Canadian law from hiring replacement labour.

"It's just a few hundred folks trying to figure out how to divide nearly $2bn. They ought to be able to figure that out," Mr Clinton said. Mr Robert Reich, the secretary of labour, said on Monday that nothing less than the "national morale" was at stake.

There seems only a small chance that whatever Mr Usery proposes will be acceptable. Mr Clinton, therefore, may ask Congress to pass a law subjecting the dispute to binding arbitration.

Justification for such action could include the economic impact on not only the cities housing major league teams but on Florida and Arizona, homes for the spring training season starting in 10 days.

Leading Republicans, however, have increasingly argued that the government should stay out of what they see as a regular labour dispute.

"I think disputes between labour and management ought to be resolved between labour and management," said Congressman John Boehner of Ohio, who chairs the House of Representatives Republican caucus.

Some administration officials believe, nevertheless, that even a non-binding sense-of-Congress resolution could exert enough pressure to persuade middle of the road owners to accept arbitration.

Mr Clinton has been dismissive of both sides, likening them to wealthy individuals fighting over a large pie at the expense of the paying public.

Former president Jimmy Carter, who offered mediation, said he concluded that both were too selfish to waste time and effort on. Public opinion, however, has shifted more to blaming the players, whose average pay last year topped $1m.

Congressmen clash over budget plans

By George Graham in Washington

Democrats and Republicans clashed fiercely on Capitol Hill yesterday as debate began on the 1996 budget President Bill Clinton presented on Monday.

Republicans repeated their criticism that Mr Clinton's budget showed "an abdication of leadership" by failing to tackle the growth of entitlement spending (such as federal healthcare and pensions) and failing to present any plan to reduce the deficit to zero.

But administration officials and Democratic senators fired back angrily, arguing that they had spelt out a budget path that would reduce the deficit to 1.6 per cent of gross domestic product over 10 years, and charging that the Republicans had had plenty of time since they won control of Congress last November to come up with their own budget plan.

"It's been almost four months since that event occurred. Further spelling out in some detail how you would do a better job is not unrealistic or unfair to ask for. And all we've had is the proposal to cut taxes by $200bn and no indication at all how you'd pay for it," said Senator Christopher Dodd, chairman of the Democratic party.

Ms Laura Tyson, who chairs the White House council of economic advisers, testily added her jeers: "People are talking about getting the deficit down, they are talking abont getting entitlement spending under control. There is not a single proposal."

The clashes, unusual for congressional hearings, seem likely to set the tone for a bitter argument over the budget, with little pretence at bipartisan co-operation. "I guess the budget so-called debate has begun. It kind of reminds me of the mating dance of the whooping crane: a lot of movement, but nobody touches anyone," said Senator James Exon, the senior Democrat on the budget committee, warning that Republicans command only 53 Senate votes – short of the 60 needed to break a filibuster.

At the heart of the dispute is the administration's decision to aim for a deficit that declines only in proportion to the size of the economy – dropping from 2.7 per cent of GDP this year to 2.1 per cent in 2000 and 1.6 per cent in 2005. In absolute terms, the deficit is projected to climb from a trough of $192.5bn in 1995 to $213.1bn in 1997, before settling at just under $200bn in the last three years of the century.

Mr Robert Rubin, the treasury secretary, said the administration had tried to balance further deficit reduction with mitigation of income inequality through its proposal for a tax cnt aimed at middle income families and to provide new incentives for education and training.

Administration officials said they were keen to address the long-term growth in entitlement spending, primarily health benefits such as Medicare, but only in the context of healthcare reforms. Republicans, however, fear the president has passed to them the responsibility for proposing unpopular cuts in Medicare and other middle class entitlement programmes.

● President Clinton urged Congress to approve his proposed extra $1bn spending to counter illegal immigration, AP adds. He also signed an executive order directing federal agencies to give priority to the crackdown on illegal immigration. Initiatives proposed in the budget would add $1bn in spending to reinforce the Border Patrol and US Immigration and Naturalisation Service, speed up deportations and provide money for border states.

Traders condemn plan to tax futures

By Laurie Morse in Chicago

The Clinton administration's plan to raise $59m a year in the new budget by imposing a tax on futures and options transactions is predictably being opposed by the US's largest futures exchanges, which fear higher costs will drive business overseas. The Clinton budget released Monday would impose a 10-cent transaction fee on each futures and options contract traded on a US exchange.

Jack Sandner: business could move overseas "in a nanosecond"

Exchange leaders lost no time in vociferously opposing the budget plan. Mr Jack Sandner, chairman of the Chicago Mercantile Exchange, said that business conducted at his exchange could move overseas "in a nanosecond" if costs, including taxes, moved in favour of foreign markets. Likewise, Mr Patrick Arbor, chairman of the Chicago Board of Trade, said the transaction tax proposal "seriously jeopardises our industry's fragile competitive advantage worldwide".

Allied with the exchanges in their opposition to the tax are the nation's big brokerage firms, which market futures and options products to the public, and which own memberships on the exchanges. The influential group of banks and investment houses that deal in over-the-counter derivatives is also expected to attack the tax plan.

OTC derivatives dealers are among the largest users of US listed futures and options contracts, regarding the exchanges as a sort of wholesale market for laying off risk from private trades.

Rapid growth in the US futures industry has long made the futures exchanges attractive targets of Federal budget-balancers. Last year 527m such contracts were traded, sustaining a 25 per cent annual growth rate for the industry. However, the futures exchanges' considerable clout in Washington is expected to keep the proposal from passing Congress.

The futures industry has faced down four similar transaction tax proposals in the past six years, three times under the Republican administration of George Bush and once before in a Clinton budget. Each time the exchanges have successfully argued that the financial services they provide observe no geographic boundaries, and a tax would kill their business.

AMERICAN NEWS DIGEST

Brazil restores high car tariffs

Brazil has reimposed high tariffs on car imports following worries about the trade balance and complaints that its car industry needed more time to improve its products and compete with foreign imports. The move disappointed some analysts, who said it was a setback for the government's opening of the economy to foreign competition, a policy put in place after last year's launch of the Real currency. However, officials stressed that the car industry was a special case and that the government remained determined to increase foreign competition elsewhere in the economy.

The tariff on imported cars has been increased from 20 per cent to 32 per cent. Ms Dorothéa Werneck, the industry minister, said the tariff would fall 2 percentage points each year to reach 20 per cent in 2001, to comply with en accord with Argentina as part of the Mercosur customs union. *Angus Foster, Brasília, and Patrick McCurry, São Paulo*

Air force chief 'to head CIA'

President Bill Clinton is expected to name former Air Force General Michael Carns to head the Central Intelligence Agency. The appointment of a new CIA director is particularly sensitive because of widespread criticism of Mr James Woolsey, who resigned as director earlier this year, for his failure to shake up the organisation after the discovery of a Russian mole, Mr Aldrich Ames, in the heart of the agency's counter-intelligence operations.

An outsider has been sought to shake up the CIA, which the Senate intelligence committee described in its report on the Ames case as "a bureaucracy which was excessively tolerant of serious personal and professional misconduct among its employees, where security was lax and ineffective". Gen Carns, 57, served as a fighter pilot in Vietnam and earned an MBA from Harvard Business School. He became director of the Joint Staff at the Pentagon and vice chief of staff for the Air Force. *George Graham, Washington*

Tesobono auction is successful

The Mexican government yesterday successfully auctioned $240m in new *tesobonos*, the dollar-linked securities that have been at the centre of the country's financial crisis. The successful sale, a sign that some foreign investors have ruled out the possibility of exchange controls now that a $50bn international financial support package is in place, was coupled with lower interest rates compared with recent auctions. Last week's auction was cancelled for lack of demand.

Officials at the state-owned development bank, Nafin, said that all the new *tesobonos* had been sold to foreigners, with 95 per cent going to US banks. European banks bought the remaining 5 per cent. The 91-day paper was auctioned at 15.4 per cent, almost 10 percentage points lower than the previous auction, while 182-day paper was sold at 17.1 per cent. However, rates for one-year tesobonos remained high at 20.75 per cent, only 0.65 percentage points lower than two weeks ago. *Ted Bardacke, Mexico City*

Argentine growth rate slows

Argentina's economy grew at a slower 5.5 per cent a year in the July-September quarter of 1994, down from a 6.9 per cent growth rate in the second quarter and 8.2 per cent growth in the first three months of the year. While average growth for the first nine months of the year remained at a robust 6.8 per cent the figures confirmed Argentine economic growth was slowing even before the collapse of the Mexican peso in December. *Matthew Doman, Buenos Aires*

China 'could not dismantle state sector'

By Tony Walker in Beijing

China could not dismantle its state-owned industrial system and engage in a rush to privatisation, the influential head of a cabinet think-tank has said in a spirited defence of the country's ailing state sector.

Mr Yuan Mu, director of the State Council'a Research Office, writing in yesterday's Economic Daily oewspaper, dismissed privatisation as the answer to China's state sector problems.

"Privatisation is not a model for us," he said in the long article which appeared to be part of an intensifying debate within the Chinese leadership over faltering enterprise reform.

"State enterprises, particularly those large and medium-sized ones, are playing an extremely important role in our country's economic development," he said.

"They still represent our country's general ecooomic power and are the chief source of the state budget and the main force for social stability."

Mr Yuan, who gained prominence as China's chief spokesman after the Tiananmen Square massacre of 1989, is identified with the conservative trend in the leadership. His remarks were clearly aimed at reformers who have been urging a more adventurous divestiture programme.

Much of China's shrinking state sector is in a parlous condition. According to the state statistical bureau 45 per cent of large and medium state enterprises made losses in 1994.

State enterprises are also weighed down with accumulated debts, partly because of the inability of one enterprise to pay another for goods and services. The "debt chain" increased by 74 per cent to Yn600bn (£45.5bn) last year.

The state sector's share of industrial output has beeo shrinking since China'a reform effort was launched in 1978. It was down to 40 per cent last year compared with 80.7 per cent in 1978.

But the health of state enterprises remains a highly sensitive issue among the leadership. The sector represents a powerful constituency and Mr Yuan's remarks could be regarded as part of an effort to stave off declining political and economic influence.

Mr Zhu Rongji, senior vice-premier in charge of the economy, has also rushed to the defence of the state sector recently in another sign that eoterprise reform is a "hot" issue among China's leaders.

In a speech reported by a Hong Kong magazine, Mr Zho said the perceotage of state-owned companies in the red had shrunk to 40 per cent in 1994 from 60 per cent in 1993.

He argued, in what is becoming a familiar theme for Mr Zhu, that reports in the foreign press of problems in the state sector were exaggerated. Only coal and defence now required substantial subsidies.

Efforts by both Mr Yuan and Mr Zhu to highlight the positive aspects of the state sector also reflect political pressures. Worries about potential unrest among workers laid off from bankrupt state factories is a considerable worry for the authorities.

Implementation of a pilot programme of 100 model bankruptcies in 18 cities across the country has been repeatedly delayed.

Call for closer EU-Japan ties

By William Dawkins in Tokyo

The European Union's new ambassador to Japan yesterday called for relations with Tokyo to become broader, to include more foreign policy co-operation, but warned of pressure for a tougher trade stance.

The appeal, in the first public speech by Mr Jorn Keck as the EU representative in Tokyo, comes on the eve of the arrival of a delegation of senior European Commission officials, to press for progress on reducing the tangle of regulations that hamper foreign access to the Japanese market.

German-born Mr Keck, a former Commission trade official specialising in Japan, last September succeeded Mr Jean-Pierre Leng, a Frenchman who now heads the EU delegation to international organisations based in Geneva.

This week's Commission meeting coincides with a visit, on Thursday, by 20 senior executives from the EU-Japan Round Table, a private sector group to promote industrial co-operation, led by Mr Etienne Davignon, chairman of Société Générale de Belgique, the Belgian conglomerate. This will be the round table's first session with its Japanese counterparts since its launch last year.

There was a risk that European business interest in Japan was being eclipsed by the attractioo of faster growing markets in the rest of Asia, said Mr Keck, deputy EU ambassador to Japan for three years to 1982. But the EU wanted to keep Japanese relations a priority.

"Japan's impact on Asia in economic terms, but also as an efficient political operator and intermediary between different countries in the region is important," he said. The EU wanted to be kept informed of discussions at the Asia Pacific Economic Co-operation Forum, chaired by Japan this year.

Japan's search for a higher profile in world affairs, combined with the evolution of an EU foreign policy, could with sensitive handling pave the way for an all-round partnership comparable to both powers' relations with the US, argued the ambassador.

Generally, EU-Japan relations were good, thanks to an agreement on both sides to tackle trade differences in a rational, rather than emotional manner, he said. Europe's trade deficit with Japan had fallen for two years running, down by 16 per cent to $22bn in 1994.

Yet the trade shortfall was still "too large for comfort" and big contracts still eloded otherwise competitive European business, said Mr Keck. There has been European criticism that the EU's patient Japanese trade diplomacy was losing out to the more "affirmative approach" of others, meaning the US, he warned.

Congress decision comes on eve of crucial Indian state elections

Rao expels ex-minister from party

By Shiraz Sidhva in Bombay

Arjun Singh: blistering attack

Mr Arjun Singh, former Indian cabinet minister and one of the foremost critics of Mr P.V. Narasimha Rao, the prime minister, was yesterday expelled from the ruling Congress (I) party.

Mr Singh's expulsion comes two weeks after the former human resource development minister was suspended from the party's highest policy-making body for "anti-party activities".

The action against Mr Singh comes on the eve of six crucial state elections, which start tomorrow with polls in Maharashtra, west India, and is seen as an attempt to unite Congress.

The party suffered humiliating defeats in elections in three southern states last November, including Andhra Pradesh, the prime minister'a home state.

Congress leaders say Mr Singh has deliberately provoked dissent within the party since he quit the cabinet last December.

Mr Singh's resignation letter contained a blistering attack on the Rao government and its policies. He said he was disillnsioned with the prime minister and accused him of allowing widespread corruptioo in the party.

He blamed the Rao government for failing to punish those responsible for the 1992 Bombay stock market scandal; failing to prevent the demolition of a mosque in Ayodhya in December 1992 which provoked widespread riots; and failing to make any progress in two inquiries set up to investigate the assassinatioo of Mr Rajiv Gandhi, former prime minister and Congress leader in May 1991.

Mr Vijayabhaskara Reddy, president of Congress'a disciplinary actioo committee, yesterday said that the decision to expel Mr Singh for a period of six years was a "majority decision".

Mr Singh's supporters in the party had urged Mr Rao not to sack him on the eve of the state elections. But the prime minister's loyalists insisted that Congress's fortunes could only be revived if detractors like Mr Singh were dealt with firmly.

Mr Singh had been given a fortnight to reply to the charges.

He filed a detailed reply on Monday, asking for a personal audience with Mr Rao. He has reiterated that he remains loyal to the party and to Mr Rao, but party leaders point out several instances of open defiance against the prime minister, including well-publicised gatherings with political leaders known to question the prime minister's leadership.

Vietnam to cut foreign bank loans

Vietnam plans to reduce foreign commercial loans to $250m during 1995, Mr Cao Si Kiem, State Bank (central bank) governor, was quoted as saying, Reuter reports from Hanoi. Recent estimates by foreign bankers put Vietnam's external debt at between $700m and $1.2bn.

Mr Kiem said Vietnam had made this one of its objectives after its loan agreement with the International Mooetary Fund last November, according to the Vietnam Economic Times weekly.

Other objectives agreed with the IMF included a 20.3 per cent increase in domestic credit, no increase in net banking loans to the government and an increase of $100m in Vietnam's international reserves, Mr Kiem said. Foreign exchange reserves at the end of 1994 were about $500m, according to foreign bankers' estimates.

The volume of commercial borrowing during 1994 has not beeo disclosed. The only acknowledged commercial loan, $100m, was made by a syndicate of foreign banks to the State Bank last June.

Most of Vietnam's external financing comes from concessional credits by the IMF, World Bank and Asian Developmeot Bank, bilateral aid from governments and foreign direct investment.

The IMF agreed in November to give Vietnam about $535m in loans over three years under its enhanced structural adjustment facility (Esaf) to support medium-term stabilisation and structural reforms.

Vietnam oormalised relations with the IMF in 1993 and took out a $214m standby credit which was cancelled with the signing of the new Esaf.

● Vietnam's central bank yesterday allowed Deutsche Bank of Germany to open a branch in the southern industrial capital of Ho Chi Minh City, the former Saigon.

The bank, Germany's largest, is the first German institution to gain branch status in the country and brings the number of foreign banks with branch status to 18.

"German companies that may have been looking at Vietnam but may not have actually arrived will be quite encouraged to have a German bank in place here," said Mr Simon Murray, group chief executive Asia/Pacific.

ASIA-PACIFIC NEWS DIGEST

Cigarette ban challenged

Philip Morris, the US-based tobacco and food group, said yesterday it would continue its legal action against the Australian federal government's ban on cigarette advertising, in spite of official efforts to amend some aspects of the legislation banning cigarette advertising. Philip Morris launched its High Court action in July, claiming the ban impeded "commercial freedom of speech", and denied the company "the right to take part in debate on political, public and social issues".

The federal government subsequently tabled amendment legislation, which would allow tobacco companies greater public access in certain specific instances. The amendments were passed in the Senate, the federal parliament's upper house, this week, and now go to the House of Representatives. However, Mr David Davies, vice-president at Philip Morris, said yesterday that while the amendments were "an acknowledgement by the federal government that the Tobacco Advertising Prohibition Act as presently drafted is invalid", they did not go far enough. "Philip Morris' challenge is about the power of government to deny any group of Australians their right to communicate legitimate views on important social, public and commercial issues. In the case of the tobacco industry, this right continues to be substantially denied, notwithstanding the amendments introduced into Parliament," he said. *Nikki Tait, Sydney*

Maori claims plan to go ahead

The New Zealand government was determined to go ahead with its plans to offer the Maori people NZ$1bn ($637m) to settle permanently all land grievance claims in spite of the "violent, shameful and offensive behaviour" by protesters at Monday's treaty commemoratioo ceremonies, Mr Jim Bolger, the prime minister (left), said last night. Threatening behaviour by 500 Maori protesters forced the cancellatioo of the Waitangi Treaty Day ceremonies and sparked nationwide outrage as some of their leaders spat at Dame Catherine Tizard, the governor general, cabinet ministers and diplomats. The protest followed rising anger among Maoris at the government's proposal, made last year, for "full and final" settlement of land claims dating back to the "Native Wars" of the 1860s when large areas of territory were confiscated following conflicts between British troops and tribes. Maori resentment centres oo the "finality" of the offer. *Terry Hall, Wellington*

Philippine exports increase 18%

Philippine exports rose 18.01 per cent in 1994 to $13.43bn from $11.38bn in 1993, helped by buoyant sales of electronics and electronic components, the National Statistic Office (NSO) said. December exports jumped to $1.30bn, up 30 per cent from the $1bn recorded in the same 1993 month. The country's biggest export sector, electronics, sold goods worth $328.53m in December, a 36.1 per cent rise on the same period in 1993. The US remained the largest export market for Philippine products in 1994 worth $5.13bn. Japan was second, buying goods worth $2.02bn. *Reuter, Manila*

● The Bank of Korea said it would allow February M2 money supply to grow by between 18.0 and 18.9 per cent on the year, despite its target of limiting the rise to below 16 per cent for the whole of this year. The central bank said M2 rose 19.7 per cent in January. *Reuter, Seoul*

● Indonesia's consumer price index rose 1.16 per cent in January, up from an increase of 0.52 per cent in December and down from 1.25 per cent in January 1994, Mr Harmoko, the information minister said yesterday. He said increases in prices of food, textiles and housing were behind the rise. *Reuter, Jakarta*

Japan awake to India's growth

Tokyo is a late starter in the investment race, says Emiko Terazono

Japanese companies are slowly waking up to the growth of India's middle class market and the effects of economic liberalisation, and many have started to reassess the country's potential for direct investment.

"A lot of companies, which have now started to regard India as the next destination for their investment, are coming to ask for advice," says Mr Osamn Wada, who heads the international division of Asahi Glass, the glass maker which has been in India since 1956.

The Kansai Economic Federation (Kankeiren), a business federation in western Japan, sent a research group to India at the end of last year, visiting Bombay and New Delhi to meet Indian government officials and businessmen.

Attractions of the huge market have become hard to ignore

Japanese economic commentators are now forecasting an "India investment boom" to match China'a. The Japanese government has also indicated it will help Japanese companies investing in India.

Mr Ryutaro Hashimoto, Japan'a trade and industry minister, announced during his visit to India last month that Japan would provide a $1bn credit line for export and investment insurance to India over the next two years. The government also plans to cut insurance premiums for Japanese investment and exports to India in April, whila easing screening requirements.

Compared to their US and European counterparts, however, Japanese corporations have fallen behind in the race to invest in India. Japanese direct investment in 1993 totalled $82m, only 3 per cent of overall foreign investment in the country.

The Sakura Institute of Research, an affiliate of a commercial bank, points out there are several reasons for the Japan's slow recognition of India's potential. Japan's economic downturn has curbed new foreign investment, while the lengthy internal decision-making process has also left Japanese companies behind.

Sakura also cites Japanese companies' lack of experience in India, their over-reaction to social and religious disturbances in the country, the lack of business information and promising markets in China and south-east Asia, which have dominated their investment decisions.

Nor is there the potentially influential community of expatriate Indians in Japan; in Europe and US such communities have served as useful conduits for foreign companies looking to establish contacts in India.

A recent survey by the Kankeiren on investment by Japanese companies in India confirmed these concerns. It said companies were worried about cultural differences, the lack of infrastructure, the difficulty in finding a good partner, and the complex tax and legal structures of the municipal governments.

Mr Katsumi Tametani, manager of Matsushita Electric Industrial's Asia and Middle East division, says Indians have already shown strong demand for western consumer appliances, especially washing machines and refrigerators.

Matsushita began to produce dry-cell batteries in India in 1972 and has four joint ventures in India including a rice cooker manufacturing venture and a carbon rod producing project. It will set up a sales subsidiary to act as its Indian headquarters, and is planning to manufacture and market colour televisions and audio equipment under a technological tie-up with a local company.

Foreign investment in India: Japan lags

Source: Japan External Trade Organisation

The attractions of the potentially huge consumer market and the educated workforce – Indian has a middle class of some 220m – have become hard to ignore. Sanyo Electric plans to start manufacturing air conditioners, while Hitachi and Sony are planning to expand their activities. Fujitsu, a computer maker attracted by the growth potential for the telecommunications market, is also increasing its activities.

Growing concerns about China'a over-heating economy, and increasing labour and tax problems arising from joint ventures there have also drawn Japanese companies to India. Sakura predicts Japanese companies will increase their business there, while Mr Wada of Asahi Glass envisages growing competition between European, US, Japanese and other south-east Asian companies for a share of the market.

However he notes there are subtle differences between China and India, and companies who expect 'a second China' could be disappointed. "For India, people may need to take a longer-term stance than China," he says.

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Maker of luxury cars shifts body contract away from offshoot of engine supplier

Rolls-Royce to sever link with Rover

By Kevin Done, Motor Industry Correspondent

Rolls-Royce Motor Cars is to end its contract with Rover Group for the production of steel bodies for Rolls-Royces and Bentleys. R-R Motor Cars is a subsidiary of Vickers, the UK industrial combine, and is separate from the Rolls-Royce aero-engine company. Rover was acquired last year by BMW of Germany.

R-R intends to prodnca the bodies for its next generation of cars at a new facility to be built at its factory in Crewe, north-west England, in collaboration with Mayflower, the specialist UK automotive engineering group.

Mayflower will take over many of the functions now carried out by Rover when the UK luxury carmaker launches a new generation of Rolls-Royce and Bentley cars in the late 1990s.

The body engineering deal with Mayflower is an important step in the development of the new luxury car ranges. It comes only weeks after Vickers chose BMW, the German executive and luxury carmaker, to supply engines for the new cars.

Rover presses the panels for Rolls-Royce and Bentley cars at its stamping plant in western England, and welds the bodies at its assembly plant near Oxford.

Vickers' decision to replace the Rover gronp with Mayflower could allow it to maintain some degree of independenca from BMW, which is expected to supply a wide range of other components and technology for future Rolls-Royce and Bentley models in addition to engines.

Mayflower said in a statement to the stock exchange that Motor Panels, its automotive design and production subsidiary, had been awarded a contract "to provide engineering development services to support Rolls-Royce's vehicle programmes".

Rolls-Royce said that, in addition to the engineering contract, it planned "to establish body manufacturing facilities" at its Crewe plant as "part of its arrangements" with Motor Panels.

Mr Chris Woodwark, who was appointed Rolls-Royce Motor Cars chief executive in December after the sudden departure of Mr Peter Ward, said the new plant would enable the company "to produce bodies for existing and future models".

The Rolls-Royce contract is a significant development for Mayflower, which already supplies the welded bodies for the Aston Martin DB7 luxury sports car launched last year.

Unionist foes may unite against all-Ireland bodies

By John Kampfner, Westminster Correspondent

Northern Ireland's unionists, who want the province to remain in the UK, are discussing the possibility of presenting a united front to oppose British and Irish government moves to create powerful cross-border institutions.

Reverend Ian Paisley, leader of the hardline Democratic Unionists, said yesterday he had held talks with Mr James Molyneaux, leader of the Ulster Unionist party, to discuss the threat of cross-border institutions. The Ulster Unionists traditionally support the Conservative government in parliament in London.

The threat emerged last week in the leak of a draft document prepared for talks between the governments of the UK and Republic of Ireland. Mr Paisley said an announcement could be made shortly "showing that the unionists of Northern Ireland, as far as big issues are concerned, are one, and we are going to stand together to defend the constitutional position of this province firmly within the UK."

"We are in a crisis," Mr Paisley continued. "If Mr Molyneaux and myself talk to other people at Westminster who are the enemies of this province, it is only right the two elected leaders of unionism should be able to talk."

Ulster Unionist MPs confirmed that a meeting did place late last week, but sought to play down its significance. The DUP has been seeking a united position on constitutional issues. But meetings between its leaders and those of the larger UUP, from which it split in 1971, are rare.

A more cohesive unionist front would strengthen the hand of those in Northern Ireland and in the Conservative party who see in the framework document about cross-border institutions an attempt to give the Republic of Ireland authority over the province.

A small group of Conservative MPs met Mr Michael Ancram, the Northern Ireland minister responsible for the peace talks, early yesterday. One participant said he and fellow backbenchers had been "reassured" that some passages of the document leaked last week were being reworded to address unionist concerns.

The government has also been keen to dispel speculation that Mr Ancram might attend talks with Sinn Fe'in, the political wing of the Irish Republican Army.

One Conservative warned his unionist colleagues not to overplay their hand: "We, and I'm sure they, were surprised to see that their constituents had reacted more calmly than they. They realised they might have over-reacted," he said.

In Dublin, both houses of parliament were poised last night to repeal the State of Emergency that was imposed in 1939.

The move was proposed to both houses by Mr John Bruton, the prime minister, and has all-party support. It is seen as a further demonstration of confidence among politicians in the republic about the peace process.

● The opposition Labour party yesterday launched an initiative for economic regeneration in Northern Ireland with emphasis on job creation and tackling discrimination against Roman Catholics. Mr Jack Cunningham, the party's shadow trade and industry secretary, called at a conference in Northern Ireland for the powers of the region's Standing Advisory Commission on Human Rights to be strengthened. He cited official figures showing that almost 70 per cent of the long-term unemployed were Catholic. But he made clear that the party had no intention of imposing quotas or other forms of coercion on employers.

Cross-border links, Page 13

The long search for an end to terror

1993 Sep Governments of UK and Irish Republic attempt to resume talks about N Ireland as sectarian murders continue.

Gerry Adams (president of Sinn Féin, political wing of Irish Republican Army) and John Hume (leader of nationalist-leaning Social Democratic and Labour party and a member of House of Commons) state after months of private talks that they believe wider negotiations can begin, leading to "stable and lasting peace".

Oct Attack on fish shop underneath local office of anti-nationalist Ulster Defence Association in Belfast kills 10 including man who planted bomb. Adams is criticised for joining pallbearers at bomber's funeral.

Greysteel Massacre: Four Roman Catholics and three Protestants die when two members of extreme loyalist (and illegal) Ulster Freedom Fighters fire indiscriminately into bar.

Nov N Ireland policeman dies after being shot by IRA sniper

Dec Downing Street Declaration signed by premiers of UK and Irish Republic; British government says it has no "selfish, strategic or economic interest in Northern Ireland".

1994 Feb President Clinton grants limited visa for Adams to visit US.

July Rumours grow that IRA is about to announce temporary ceasefire similar to those ordered over successive Christmases.

Aug IRA plants bombs on bicycles in English seaside towns to mark 25th anniversary of posting of British troops to N Ireland. Rallies to mark anniversary held in many cities throughout world. More than 3,000 people have died in violence in N Ireland since 1969.

Roman Catholic man of 20 seized by Ulster Freedom Fighters; gagged and shot in head after being held for 90 minutes.

IRA announces ceasefire; Adams says it is intended to be permanent

Sept US vice-president Al Gore meets Albert Reynolds, prime minister of Irish Republic, and indicates that Washington accepts ceasefire as permanent.

British government starts to scale down security in N Ireland; five IRA prisoners and a sixth inmate, armed with two handguns, try to escape from prison in England; Adams starts two-week tour in US

Oct Ceasefire announced by Combined Loyalist Military Command, representing the two main outlawed protestant and anti-nationalist paramilitary groups – Ulster Defence Association and Ulster Volunteer Force.

Nov Worker killed in IRA raid on post office at Newry; government of Irish Republic delays release of IRA prisoners

EU pledges cash aid through reconstruction projects and grants.

Dec US commerce secretary Ron Brown attends investment conference in Belfast

1995 Feb Leak of draft document about framework for all-Ireland executive body condemned by unionists as sure step towards united Ireland; Major exercises rarely-used right to demand TV air time; appeals for "time and trust".

Government of republic releases more IRA prisoners

Labour party in UK backs prime minister's peace campaign

From left, Gerry Adams and John Hume held their own talks; Albert Reynolds, former premier of the Irish Republic and driving force behind the peace drive; US vice-president Al Gore discussed policy changes with Adams

UK NEWS DIGEST

Exporters are urged to aim at Pacific rim

British industry must look beyond Europe to the emerging markets of the Pacific rim if the UK is to achieve the target of winning another 1 per cent of world trade by the year 2000, says a report from the Confederation of British Industry, the country's largest employers' group, and Ernst & Young, the accountancy firm. Last year Britain accounted for 4.8 per cent of world trade while the national manufacturing council of the CBI has set a target of 5.8% by the end of the decade.

The report says continued export growth in the main markets of Europe and north America might account for an extra £50bn a year, leaving £40bn to be won through increased penetration of other markets. "Although exports to developing countries are rising significantly, the increase has not been enough even to maintain market share in them, which fell from 5.6 per cent in 1980 to 3.2 per cent in 1993," says the report.

Mr John Crampton, a partner at Ernst & Young, said: "The US, Germany and Japan are laps ahead of the rest in the export race. Fundamental change in the way UK businesses approach international markets is needed to ensure they remain competitive and step up the pace. By the year 2020, most successful businesses will have more customers and employers in today's developing countries than the developed ones. *PA News*

Factory output rise masks sluggish growth

British manufacturers stepped up production in December after an unexpected retrenchment in the previous month. But the underlying picture still shows growth in factory output slowing. Manufacturing output went up by 0.5 per cent between November and December, after adjusting for the impact of Christmas holidays, according to the Central Statistical Office. The statistical office also raised its original estimates of factory output in October and November.

Mr Kenneth Clarke, the chancellor of the exchequer, said the figures showed that growth had been sustained strongly in the fourth quarter and that "manufacturing remains buoyant in this economy". But City economists were divided about the implications for the next move in interest rates. Mr Adam Cole at stockbroker James Capel said surveys of manufacturers by the Confederation of British Industry suggested that the economy would continue to grow too strongly to keep inflation down. "The next rise in base rates is probably only two months away." *Robert Chote, Economics Correspondent*

FT owner gives cash to Labour party

Pearson, the media and entertainment group, has become the first big public company in the UK to make a substantial donation to the opposition Labour party with a gift of £25,000 ($39,000). "The Labour party has moved much more towards the centre and are the leading opposition party so it is logical to help them," Lord Blakenham, chairman of Pearson, said yesterday. The company, which owns the Financial Times, has also given £25,000 to the Conservative party and about £30,000 to three independent policy think tanks. Labour yesterday seized on the dooation as the first tangible sign that UK companies are warming to the prospect of a government led by Mr Tony Blair, the party's leader. "The implications of this donation are very considerable," said Mr Paul Blaghrough, finance director of the Labour party. *FT London staff*

Maxwell deal agreed

Joint administrators to the private companies controlled by Robert Maxwell have agreed in principle to pay a total of £10.6m to settle claims made by trustees of the former employees' pensions schemes. The payment, from the joint administrators at Arthur Andersen, is intended to satisfy claims from the pensioo scheme trustees in respect of assets which disappeared from the schemes.

The settlement does not affect talks on a "global settlement" being brokered by Sir John Cuckney between the various Maxwell company pension schemes and the investoient banks and others which it is alleged assisted in the disappearance of assets. Achieving the settlement should pave the way for Arthur Andersen to pay dividends to other creditors of Maxwell's private companies. The liabilities of the private company pension schemes to pay pensions to roughly 4,500 members are estimated at £80m. Of those 4,500 members, 1,500 are currently drawing their pensions.

The settlement will bring the assets of the private company schemes to £45m ($70m), leaving a shortfall of £35m. Maxwell company pensioners and MPs have expressed concern that the pursuit of claions against Maxwell's interests has cost more than the sums recovered. *Normo Cohen, Investments Correspondent*

Another minister quits

Mr Allan Stewart, a junior minister at the Scottish Office, resigned from Mr John Major's Conservative government yesterday to spare it embarrassment over a weekend confrontation with environmentalist demonstrators. Mr Stewart, the 12th minister or parliamentary aide to resign from Mr Major's administration oo personal grounds since 1990, was quickly replaced by Mr George Kynocb.

The announcement followed reports that Mr Stewart picked up a pickaxe during a clash with demonstrators protesting against a motorway extension in his constituency near Glasgow, the largest city in Scotland. His decision to leave the government quickly was praised by Mr Major, who bas warned all ministers that cootroversies over their personal lives cannot be allowed to damage the party's interests. *Kevin Brown, Political Correspondent*

Health expenditure low: The UK spends little more than balf as mucb on health per person as the average for member countries in the Organisation for Economic Co-operation and Development, says the Office of Health Economics, a body funded by the pharmaceutical industry. Yet Britons live almost exactly as long as other western Europeans and UK infant mortality is below the OECD average. The office says 13 per cent of Britons have private bealth insurance compared with 7.7 per cent in 1984.

Oilfield exploration deal: Amerada Hess and BP Exploration have signed an agreement for joint appraisal of the Shiehallion field, one of the two promising oil discoveries recently made west of the Shetland Isles to the far north of Scotland. The field is thought to extend through blocks operated by Amerada and BP.

Church to sell Europe's biggest shopping mall

By Simon London, Property Correspondent

The commissioners who administer the property of the Protestant Church of England are to sell the MetroCentre in Gateshead, Europe's largest covered shopping and leisure centre, as part of a programme to reduce exposure to the commercial property market.

Up to half a million people a week visit the centre in north-east England. It was built by the commissioners in the late 1980s in a disastrous foray into property development.

The centre, recently voted by retailers the UK's most profitable trading location – a title previously hald by London's Oxford Street – cost £225m to build and is expected to raise over £300m. DTZ Debenham Thorpe, the surveyors, have been instructed to find a buyer.

The commissioners, who also administer pay and pensions for Church of England clergy, have been reducing their property holdings following publication in 1993 of a highly critical report commissioned by the archbishop of Canterbury into their investment policies.

Over-exposure to the property market led to losses of £800m between 1989 and 1991.

Mr Andrew Brown, chief surveyor, said the MetroCentre now accounted for 35 per cent of the commercial property portfolio and about 15 per cent of the Church Commissioners' total assets.

While the investment performance of the commissioners has improved in recent years, the rising cost of clergy stipends and pensions has placed a severe strain on cashflow.

The MetroCentre, with its three miles of tree-lined malls, generates annual rental income of about £20m. Mr Brown said the commissioners hoped to keep a 10 per cent interest in the centre by retaining the freehold and selling a 200-year lease.

The centre was the brainchild of Sir John Hall of Cameron Hall, the property developer, now chairman of Newcastle United Football Club.

The commissioners have courted controversy by allowing shops within the MetroCentre to open on Sundays.

Opponents of exports of live farm animals demonstrated yesterday ontside the annual meeting in London of the National Farmers' Union of England and Weles. Placards commemorated Jill Phipps who died last week trying to prevent a truckload of calves reaching an English airport from which they were to be flown to mainland Europe. Sir David Naish, union president, attacked "the sinister minority of boot boys in balaclavas" attempting to disrupt exports with violence.

"The British people may love animals, but they cannot and will not abida extremism and political thuggery whatever canse it claims to support," he said. Sir David appealed to farmers at the conference not to create a public relations disaster by arguing with a small group of protesters waving placards across the road from the meeting.

Sir David has written to Mr Michael Howard, home secretary, asking for full protection for farmers from threats of violent picketing of their homes. He said yesterday the union was prepared to listen to animal welfare groups, but won loud applause when he added: "I have told them I'm determined we should be able to continue our lawful trade. That means live exports."

Warburg loses unit's joint chiefs to Grenfell

By Nicholas Denton

S.G. Warburg, the investment bank, has suffered a further setback with the defection yesterday of the heads of its equity capital markets operations.

Mr Maurice Thompson and Mr Michael Cohrs, joint heads of equity capital markets at Warburg, resigned to take similar roles at Morgan Grenfell, the investment banking subsidiary of Deutsche Bank. Discussions between the two executives and Morgan Grenfell came in the wake of the failure of Warburg's merger talks with Morgan Stanley of the US.

Warburg said it had "strength in depth" in the equity syndication area, which helps distribute primary equity issues. It said no other staff in the 30-strong department had announced their departure and that an announcement would be made today on a replacement for the joint heads.

The loss of Mr Thompson and Mr Cohrs nevertheless comes in addition to several blows to the firm. It has in the past five months issued a profits warning, failed in merger talks and largely pulled out of the eurobond market.

Hiring Mr Thompson and Mr Cohrs is part of Morgan Grenfell's and Deutsche Bank's plan to build np a joint investment bank based in London. While formally they are employees of Morgan Grenfell's corporate finance division, the two will also be responsible for Deutsche Bank employees in the equity issuance area.

The move confirms tbat Deutsche Bank is intent oo building its investment banking operations in London through hiring rather than through new acquisitions.

"We said in 1994 that we planned to build integrated investment banking operations from our base in Londoo," said Mr Michael Dobson, the chief executive of Morgan Grenfell. "The key to that is a leading equity origination business."

Equity capital markets departments handle primary equity issues done through bookbuilding, including most international issues and some UK privatisations.

Chemicals giant complains of 50% rise since 1990

Large buyer of electricity says prices are too high

By Jenny Luesby

Imperial Chemical Industries, the country's largest industrial user of electricity, claims that a flawed market is creating electricity prices for large users that are too high and too volatile.

Tha average price range for the electricity pool, which is fed by the generators, is between £10 and £60 a megawatt hour. But in December peak-time prices exceeded £450/MWh and on January 11 they hit £600/MWh.

The effect of such increases on the chemical industry is acute. Chemical producers tend to buy directly from the electricity pool, accounting for a significant proportion of its turnover. ICI alone consumes as much electricity as the city of Livarpool. And electricity accounts for a higher proportion of the chemical industry's production costs than for most industries.

ICI says that, since electricity privatisation in 1990, prices for large users have risen by 50 per cent. As a result, many are investing in their own generation capacity.

ICI says it has made considerable savings at its Wilton site in north-east England by building an on-site power station with Enron, the US gas company, and four regional electricity companies. It is now keen to find an alternative to tbe pool for its chlorine-producing Runcorn in north-west England, where electricity delivery prices topped £30/MWh in 1993-94.

Mr Bryan Bulloch, power services manager of ICI's Chlor Chemicals, says companies sucb as Siemens, Westinghouse and General Electric are offering on-site electricity generation at about £22/MWh. But he claims this is still not the best price possible. The company believes it could produce electricity at an tdle PowerGen plant in north-east England at a cash cost of £15/MWh. The plant is idle because a year ago, Offer, the electricity regulator, instructed the two main generators, National Power and PowerGen, to sell off 6,000MW, or 13 per cent, of their capacity, by the end of 1995.

Many companies have decided that building a power station from scratcb would mean diverting too many resources from core business. BOC Gases decided against a power plant after a feasibility study witb Scottish Hydro-electric and Northern Electric.

But smaller scbemes are widespread. Most common is the construction of combined heat and power plants, which use the heat that is created during the generation of power as well as the power itself. CHP plants now account for about 4 per cent of the UK's electricity capacity.

Tba Chemical Industries Association says that, with the chemical industry accounting for almost 8 per cent of total electricity used, the big generators can expect a continuing loss of market share as manufacturers seek other sources.

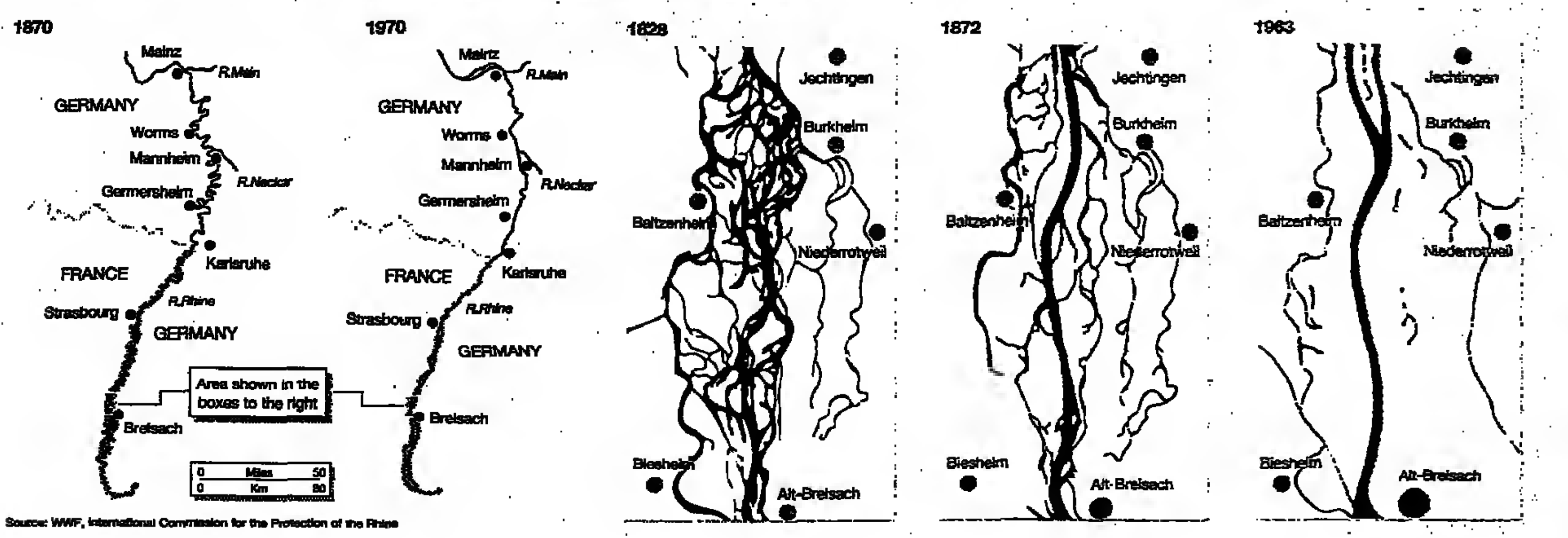
Mr Dnng Rodgers of the Chemical Industries Association says prices to large users are an average 20 per cent higher in the UK than elsewhere in Europe, and the difference reflects more than a loss of subsidies. He says flaws in the British market have created higher prices than are justified by the costs of electricity production.

In December, as electricity use was rising, Nuclear Electric closed abont 15 per cent of its capacity for unschednled repairs. Prices soared, as ever more expensive capacity was turned to, increasing payments to all power stations.

PnwerGen and Natinnal Power, the two main generators, control 70 per cent of capacity, and their day-to-day prices are alleged to bear no relation to the cash cost of prodnction.

BUSINESS AND THE ENVIRONMENT

How the Rhine has changed course over the centuries



Source: WWF, International Commission for the Protection of the Rhine

Haig Simonian reports on the recriminations flowing upstream to southern Germany

Floods of tears on the Rhine

Like a pet that occasionally bites its owner, the normally sedate river Rhine has a nasty habit of springing surprises. Twice in the past 13 months, Europe's busiest waterway has burst its banks from central Germany to the Netherlands, leaving a trail of devastation.

In the floods this month, at least four people were killed, some 250,000 had to be evacuated in the Netherlands, and large tracts of cities were submerged.

Michael Müller, a German Social Democrat politican and environment expert, estimates the cost at between DM1.5bn (£620m) and DM1.7bn for Germany alone.

Rainfall in the Rhine catchment area has risen steadily this century, according to Dieter Prellberg, an expert at the Rhine flood control centre in Mainz. In the most recent floods, abnormally high rainfall combined with unusally mild temperatures, which melted mountain snows, to produce an engulfing torrent.

However, natural circumstances have been exacerbated, say environmentalists, by more than a century of riverside economic development. The Rhine's growing tendency to burst its banks has been encouraged by industrial development. The creation of steep concrete flood walls along much of the upstream southern part of the river has pushed the problem downstream by closing off former flood meadows.

The tendency to protect upstream areas from flooding has been largely driven by economic pressure. Draining upstream marshlands provided extra land for farmers in southern Germany. In places, the reclaimed territory has been used for housing and industry.

Hydro-electric power stations along much of the upper Rhine are the other main culprit, says Gerhard von Haus, chief executive of the German inland shipping association. Since the 1950s, the upper Rhine along the Franco-German border has been progressively transformed, with the construction of 10 hydro-electric plants.

The power project involved building a "new" river parallel to the old meandering Rhine, sometimes using existing branches of the main river. As part of the scheme, new branches were deepened and straightened to facilitate shipping. While the hydro-electric barrages blocked water traffic, barges could pass through a network of locks and side canals. Construction of the power stations, eight French and two jointly owned by France and Germany, was one of Europe's engineering feats of the 1950s.

Combined with building on the river banks, the construction of the power stations created a deeper, faster Rhine. About 90 per cent of the wetlands that the river used to meander through, and periodically flood, have been reclaimed. Moreover, since the 1830s, engineers have straightened the upper Rhine's bends so much to help shipping that it is now 80 km shorter. One of the most important projects to reclaim marshlands and make the river more navigable was led by German engineer Gottfried Tulla and dates back to 1872 (see map 1872).

"We have been raping nature for 40 years," says Klaudia Martini, environment minister in the German state of Rhineland-Palatinate, which covers the middle section. "The Rhine is showing us this was wrong."

Experts say a tide of melted snow from the Alps and winter rains now takes only 30 hours to rush from Basle to Karlsruhe, compared with 60 hours to seep through the old wetlands. "Studies show that the river now flows faster and floods higher and more quickly, than ever before," says Prellberg.

Ever higher floods have followed the Rhine's progressive transformation. That led to a Franco-German agreement in 1982 to create new upstream flood meadows. Under the scheme, subsequently modified and extended, France and the German states of Rhineland-Palatinate and Baden-Württemberg agreed to build new polder (spill-over areas) to limit flooding downstream. The project entails building more than 20 polders, capable of holding 212 cu m of water. However, only two have been completed on the German side, at Altenheim and Kehl in Baden-Württemberg.

Politicians along much of the Rhine say they have come under strong pressure to make riverside land available for local businesses or housing. Building Baden-Württemberg's 13 polder, capable of holding 168 cu m of water, is expected to cost DM700m alone. Of that, 42 per cent is due to be financed by the federal government.

The finished project may help to solve the problem of flooding, although there is no guarantee it will end the mutual recriminations between politicians in flooded areas and their counterparts upstream.

In the Netherlands

The near-collapse of several Dutch river dykes in the recent flooding has prompted the Netherlands to speed up a strengthening programme.

Although the Netherlands' network of dykes withstood last week's rush of water down the Rhine and Meuse rivers, the extremely high water levels exposed the effects of years of neglected maintenance.

Around 20 per cent of the 560km of dykes in the central part of the Netherlands were shown to be in a weakened state. Now that the emergency has receded, it is clear that the bolstered building programme will not mark a great departure in the way dykes are engineered.

But bureaucratic procedures needed to get construction under way will be simplified.

Dyke strengthening, originally scheduled to be completed in 2008, should be finished by the end of the decade. The Dutch will also be pressing authorities upstream, particularly in Germany and Switzerland, to reconsider their flood protection systems so that flood waters are not simply channelled downstream.

Greater use of flood meadows, plus reforestation to combat erosion, would help flood waters drain more naturally in the upper reaches of the Rhine.

Ronald van de Krol

Nikki Tait on the issue of jobs versus conservation in Australia

Debate split on woodchips

Throughout last week, Australia's Parliament House was besieged by more than 2,000 loggers. Hundreds of lorries blockaded access routes to the federal parliament, forcing politicians to trudge – uphill – to work. Sleeping bags were strung out between the vehicles' funnels. Protestors' children played in the corridors of powers.

Behind this extraordinary scene lay one of the most commonplace but intractable conundrums in the environmental debate. On the one hand, the loggers' desire for jobs, backed up by the economy's pressing need for export earnings; on the other, environmentalists' demand for resource protection.

The Australian furore centres on woodchips, one of the lowest value-added products in the timber industry and used mainly in production of pulp and paper. Controversy bubbled to the surface late last year when export licences, held by companies such as North and Boral and covering more than 6m tonnes of woodchip, came up for annual renewal.

Australia's Labor government was in a bind. The country has a serious and worsening trade deficit. On the timber front overall, imports easily exceed exports, with the annual net deficit standing at around A$1.8bn (£890m) last year. Without woodchip exports, the largest proportion of which goes to Japan, this situation would be much worse. Annual woodchip exports are valued at upwards of A$400m, and account for about half of Australia's total timber-related exports.

But if trade considerations argued for a renewal of the woodchip licences, political considerations tended to work the other way. 1995 could well be an election year in Australia, and the Labor Party's electoral fortunes have hinged in the past on keeping the "green" vote sweet.

After much backstage jockeying, the federal resources minister decided to sign the licences, and commotion duly ensued. Passions were then further inflamed when the Federal Court weighed in, indicating that woodchip export licences might be subject to successful legal challenge because requirements in federal law, to take environmental factors into account, had not been satisfied.

At that point, Paul Keating, the country's prime minister, intervened. His first suggested compromise was to ring-fence 509 "coupes" – specific areas of old-growth forest which could be felled in a single operation – which are thought to be of particular conservation interest. No logging would be permitted here until an environmental impact review had been done.

But this brought wails – and the blockade – from loggers who claimed that the economics of whole timber towns could be threatened. So a second compromise was offered: an accelerated, eight-week examination of the coupes, and the immediate release of those areas in which logging is currently under way.

A temporary peace was finally bought. The loggers left Parliament Hill at the weekend, but swore to return if the review endangered jobs. "If there is one job loss, if one of our people suffers . . . we will be back here so quickly with a lot more and we'll really give them a going over," said Michael O'Connor, spokesman for the Construction, Forestry, Mining and Energy Union. Across the fence, the "green" lobby prepared to launch it own, rival, demonstrations.

Few observers think the state of play is satisfactory, but views differ on how the dilemma should be resolved. "The issue is very confused," says Peter Negline, senior research analyst with Salomon Brothers' Sydney office.

The Federal Court judgment is now being appealed by the government, but timber companies were quick to claim that, if the ruling stands and export approvals are dependent on exhaustive environmental deliberations at federal level, woodchips may be only a small portion of the problem. "There's coal, alumina, mineral sands – all sorts of repercussions," remarked one timber company spokesman.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 14 February 1995

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 14 February 1995. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 16 February 1995 and will be in the following maturities:
ECU 200 million for maturity on 16 March 1995
ECU 500 million for maturity on 11 May 1995
ECU 300 million for maturity on 10 August 1995

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (formerly Securities Office), Threadneedle Street, London, London not later than 10.30 a.m., London time, on Tuesday, 14 February 1995. Payment for Bills allotted will be due on Thursday, 16 February 1995.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 16 February 1995 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 10 August 1995. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
7 February 1995

صكرا من الاهل

ARTS

Television/Christopher Dunkley

Face to face with bustles and trials

Saturday. Most paopla assumed that Channel 4's new series, *Is This Your Life?*, was to be a camouflaged version of *This Is Your Life*. In fact it is far more interesting. We should have guessed: with former *Sunday Times* editor Andrew Neil as presenter there is, of course, none of the lovey-dovey sentimentality or tearful reunions of the familiar old series. A closer model would be the more combative editions of John Freeman's *Face To Face*. Neil and his interviewee are the only two people in front of a – seemingly unnecessary – studio audience, and although we hear a bit about childhood and some taped reports from people who have known the subject, the real point of the programme is Neil's fierce grilling on some newsworthy aspect of the subject's life. In Week 1 Fatima Whitbread seemed a little fazed, but this week Albert Reynolds stood up well to Neil's tough treatment. The chief problem, presumably, will be the supply of victims. Whoops – subjects.

Sunday. The idea seems to have got around that *The Buccaneers* might do for the BBC's 1995 new year season what *Middlemarch* did in 1994. But apart from the fact that they are both period pieces, there is really no comparison. *Middlemarch*, both as book and dramatisation, had not only a story to tell but much to say about the human condition. Like most great art it managed to encapsulate the spirit of its time and also make universal and timeless observations. *The Buccaneers* is more like *Baywatch* with bustles: lovely young female bodies flash around the screen, bosoms heave, eyes flash, ringlets are tossed, waists are accentuated, and the musk of sex hangs heavy in the air, though nothing sexy actually happens. Not in Episode 1, anyway. It is entertaining enough and has the same degree of social significance as, say, *Just William*.

Monday. There was the usual hypocritical fuss from the printed mass media prior to *Panorama's* studio trial of the Clegg case. Yet in the event the most notabla aspect was that the producers had been working on the programme so close to transmission that they had not had time to check the tape and discover that they had left in a duplicate of what felt like quite a long section. Professional busybodies use the term "trial by television" as though it is seen universally as a mortal sin, but this seemed lika a perfectly sensible trial by television. It conveyed the pros and cons quickly and clearly and put the viewers in a far better position than most were probably in previously to make up their own minds. What is so terrible about that? Far more doubtful is *The Trial Of O.J. Simpson*, a real trial, brought to us from Los Angeles where everyone – including judge, lawyers and witnesses – now seems to be playing to the cameras. The effect upon American law and society could be hideous, but that is scarcely the fault of the medium.

Tuesday. What a pity that last night's edition of *Painting The World* was the last; four programmes have not been enough to bring out the richness and diversity of the work in the National Gallery. Given the virtually unanimous admiration expressed at the presentation skills of the gallery's director, Neil MacGregor, who has managed the whole series without waving his arms, wearing a wimple, or cracking bad jokes, and the cheering in the ranks at the sane and lucid techniques used by producer Patricia Wheatley, enabling us to *see* the pictures, more of the sama will surely have to be commissioned by BBC2 controller Michael Jackson. Another nine programmes from the National Gallery, followed by 13 from the Tate and half a dozen from the National Portrait Gallery would be a reasonable start. MacGregor is ona of those gifted people who can make the arcane transparent and convey it without ever seeming to "teach". His programme last week on 17th century landscape was masterly.

Wednesday. Programmes that are not "dumbing down" to appeal to the least demanding viewer now constitute such a small proportion of the output that it is a disaster when a strand such as *The Late Show* goes into the doldrums. Good, then, to report that it now seems to have emerged the other side. This is not to say all its ideas are succeeding, but at least it is having ideas. Admittedly tonight's subject, *The Three Lives Of Lucie Cabrol*, is from a story by John Berger who is scarcely a newcomer: ha has always (rightly) been a *Late Show* favourite. Today's item makes the West End production seem so interesting that we phone the theatre and book tickets. Yesterday's item was *Sophie's World*, a dramatisation of Jostein Gaarder's amazingly successful "novel" about the history of philosophy. Some of the techniques used in this programme were awfully reminiscent of the "yoof" nonsense in series such as *Network 7*, but it is difficult to think of any other BBC programme that would even bother to try.

The Late Show looks up: Jessica Marshall Gardiner and Jim Carter in 'Sophie's World'

Thursday. If you had only heard about Jeremy Clarkson by word of mouth and never actually seen any of his reports on *Top Gear* or any of his current BBC2 series *Jeremy Clarkson's Motorworld*, yon might imagine he was a bit of a card, even a bit of a clown, but hardly a serious journalist. In fact he is one of those rare people (David Attenborough and Alan Whicker are other examples, though Clarkson is more jokey) who have both a natural affinity with television and a flair for the spoken word. Like George Plimpton on US television in the 1960s and John Noakes on *Blue Peter*, Clarkson specialises in talking to the audience while performing dangerous stunts. Mounting a huge snowmobile in Iceland he says "This 180 horsepower machine has all the buoyancy of a cathedral and I'm going to drive it on water". And he does. Howling around Italy in a Lamborghini Diablo he comments "This is a 5.7 litre vibrator". He also says "Looking good in a car in Italy is more important than looking where you're going" which is both neat phrase-making and absolutely true.

Friday. There are few sights in the world funnier than a straight-faced English quango trying to frame rules to save the rest of us from the effects of being human. The Independent Television Commission has decided that we must no longer see anybody in a commercial eating two chocolate bars: it goes against the rules laid down by government gauleiters in their "diet strategy". And the ad for Levi's with the black drag queen in a New York cab, astonishing the driver by having a shave? The ITC has decided such transvestism must not be shown before 9.00 pm. As for the Broadcasting Standards Council, it has announced that it is upholding a complaint from a Mrs Tagg of Kent that a cartoon called *Peace On Earth*, in which animals hear how man destroys himself by making war, is too violent. So anti-war cartoons are out, and eating two Mars bars is strictly *verboten*. Bnt stabbing? Go right ahead squire. A vivid picture of the hole made in a man's chest by a rifle bullet? Absolutely. Murder by strangulation, suffocation, machine gun, machete, noose, knife? As often as you like. And we pay for these people.

Music in London

Mysteries of Bruckner

There were two major Bruckner performances in the Royal Festival Hall last week: impressive, hotb of them, but tantalisingly different – tantalising hecause it was so hard to discern just why the one carried such vital *Affekt*, and the other so little.

On Thursday, Bernard Haitink conducted the Vienna Philharmonic (here on one of their happily regular visits) in the Eighth Symphony, Bruckner's largest and darkest. On Saturday we had the octogenarian Kurt Sanderling leading the Philharmonia through the Seventh, sunnier and lighter by Bruckner's standards, but still weighty matter by anyone else's.

Haitink's account of tbe Eighth was exemplary, of its kind. He balanced the orchestral sound with subtlety, allotted every passage its due weight amid the whole work, built each climax steadily and judiciously. In the Finala, some of them were even mildly exciting. The stately paragrapbs were properly indented, and declaimed with some eloquence. The seamlessness of it all was remarkable, with every transition smoothly accomplished.

You could hardly bope for a reading of the symphony that was more selfless and thoughtful. As always, it was a pleasure to hear the VPO's sappy, bomogeneous brass and their suave strings, in opulent numbers for the occasion. (Prompter reports than mine have rhapsodised too far, however: in fact the borns had an unlucky night – doubly unlucky in Bruckner – with too many notes splitting in exposed places. Those accidents happen with everybody's horns; I doubt that they explain why I found this worthy, earnest performance so bloodless and uninvolving.)

There was an instant clue when Sanderling began the Seventh Symphony on Saturday. Like the Eighth, it starts with *tremolando* strings over a low, gestating tune; but here tbe tremolo carried a bated-breath thrill that silenced the audience within seconds. As the music developed, Sanderling had no compunction about making overt gear-changes, the better to display each new idea – there was time enough to reconcile all his tempi later, and we do not suppose that Bruckner composed witb a metronome in hand. (Back in the 1960s, I remember Britisb critics rebuking that faithful Brucknerian Eugen Jochum for just such expressive "licence".)

The symphonic structure remained resilient and secure, while Sanderling made every episode run eagerly forward toward the next. Yet there were glades of pure, unhurried music-making too, when he let the Philbarmonia's first-desk players – and once, memorably, all four clarinets – have free rein to carol away in Bruckner's most disarming vein, rustic and/or playful. Sanderling has an exact appreciation, matching Bruckner's own, of the pungent effect that a plain, "natural" instrument can make within an elaborate symphony.

In Haitink's civilised Bruckner, there is oever anything so unbuttoned or volatile. His Eighth was a distinguished lesson in coming to terms with a knotty score, witbout any inkling that in practice some knots are best dealt with by tbe Gordian metbod: a swift chop between one discursive paragrapb and the oext, different one, relying upon the composer's inspiration to make sense of the juncture. There are risks in aiming too narrowly at smoothness and surface-continuity. Somehow Sanderling's Seventh encompassed all those things, exuberantly and effortlessly. In Bruckner, you probably need to be 80 before you can begin to imagine how to do that.

David Murray

Quatuor Mosaiques

In the ten years of their existence Quatuor Mosaiques have drawn enthusiastic ootices and made some acclaimed recordings. Their concert at the Wigmore Hall on Saturday evening was packed. The group consists of three Austrian members of Vienna's Concentus Musicus and the French cellist Christophe Coin. They play period instruments and their programme on Saturday took them from the G Major Quartet in Haydn's Opus 33 set, published in 1782, to Beethoven's Quartet in C sharp minor, Opus 131, published in 1827.

Haydn regarded his Opus 33 as something of a breakthrough, although the G major Quartet is not very forward-looking in the way the first violin dominates the other instruments. It has a characteristically witty, unpredictable scherzo, and these players shaped its provocative vagaries with stylish aplomb. They also played the first movement with tight-belted vigour and throughout the work their ensemble was faultless, perfectly blended.

Schnbert's Quartet Movement in C minor of 1820 opens up an altogether more disturbing, even violent world. It is by turns smouldering and lyrical, though its lyricism wears an almost wistful, regretful expression. It all seemed rather undercharged in this performance and the comparatively thin sound of the first violin was inclined to turn sour.

But tbe biggest disappointment came with Beetboveo's long, searching Quartet in C sbarp minor, witb its seven continuous movements – the largest number of all his late quartets. It needs much stronger characterisation and drive than Quatuor Mosaiques gave it; Beethoven may have written tbat he composed the music "out of scattered fragments and snatcbes of movements", but tberein lies its sense of growth as a wbole – in fact, Beethoveo considered this his greatest quartet. There was little idea of its enormous range of expression in this po-faced, passionless reading. The central variations seemed to lose their way, the scherzo was staid and too slow, and the final allegro plodded. Merely a reading is what it remained.

Adrian Jack

Theatre/Alastair Macaulay

Enthralled by 'Disappeared'

Each play I see by Phyllis Nagy confirms me in the belief that she is the finest playwright to have emerged in the 1990s. Now living in London and currently writer-in-residence at the Royal Court, she is one of several American playwrights whose plays now receive their world premieres in Britain. Sex, truth, sincerity, psychology, and mystery are interconnected issues in har work. She combines force and subtlety in unusual ways. And, though sbe probes poetically and keenly into the psyches of her characters, she leaves them, ultimately, inscrutable. She creates situations in which we can never know all we would like to know.

Weldon Rising (at the Royal Court's Theatre Upstairs in 1992), *Entering Queens* (at the Drill Hall, 1993), and *Butterfly Kiss* (at the Almeida in April 1994) were all remarkable both for the finesse of their construction and for the moral acuity with which they developed their subject. On March 1, her next premiere, *The Strip*, opens at the Royal Court; I await it eagerly. *Disappeared*, which has just had its world premiere in Leicester and will tour Britain until April, is not her most audacious work, but it shows her widening her range. As it develops, it becomes enthralling.

Sarah Casey is the girl who, during tha course of the play, disappears, after last being seen leaving a bar in Hell's Kitchen (New York, New York) with a stranger using the name of Timothy Creighton. What becomes of her? Wa never discover. Yet, right up to the last scene, we are still finding out new things about her and about other people involved in her story. Nagy even interests us in Ted Mitchell, the policeman trying to trace her, and Timothy Creighton, a lawyer whose name and clothes are, by dreadful chance, employed by the main suspect.

The latter, Elston Rapp, becomes indeed the most important, pathetic, and unknowabla character of all. "Fate? or coincidence?" he keeps saying to Sarah. It becomes increasingly possible that he is simply innocent, and that he keeps frustrating Ted Mitchell with unsatisfactory answers simply to prolong a situation in which he can for once communicate with another human being. Nagy begins and ends the play with different versions of that last scene in the bar. Is one true and one fictitious? Is one Jack's version and one Elston's? The rest of the play moves back and forward in time, though Nagy only gradually lets us find out when each scene is set.

Disappeared reveals so much about most of its characters that it reminds me of Truman Capote's *In Cold Blood* and the best detective fiction of Raymond Chandler and Ed McBain. And yet its ironies, its oblique methods, its witty control of language almost for its own sake remind me too of Gertrude Stein and Kurosawa's film *Rashomon*. The play takes time to cast any spell.

This may be the fault of fair but unexceptional direction by Derek Wax for his own Midnight Theatre Company. American accents (coached by Judith Windsor) are fair to good, but few of the actors project New Yorker physicality. Alexandra Gilbreath, with her bright, pretty, pushy little face, catches the reckless purposelessness of Sarah Casey. Kerry Shale plays Elston Rupp with a nice blend of frustration, worthlessness, and mystery.

No performance is less than good, but the play needs finer pacing, stronger atmosphere, higher tension, and, yes, more poetry. Tim Shortall has designed a handsome multi-purpose set. Nagy wrote the play in New York in the baking July of 1991. I was there then too, staying near the neighbourhood of the bar in question. Fate? or coincidence?

At the Haymarket Studios Theatre, Leicester, until February 25. Then touring England and Scotland until April 15.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 873 2121
● Marbled, Chintz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th Century; to Feb 12
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones.; 7.30 pm; Feb 9, 11, 12 (1.30 pm), 14

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 10
● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7 pm; Feb 8, 11
● Tha Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich; 7 pm; Feb 9

■ FRANKFURT

GALLERIES
Schirn Kunsthalle Tel: (069) 29 98 82 11
● Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists.; to Feb 12

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Grand Classical Evening: David Coleman conducts the National Symphony Orchestra with tenor Bruce Rankin and baritone Steven Page to play a wide and varied programme of classical music; 7.30 pm; Feb 11
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra to play Tippett's, 'Triple Concerto' and Elgar; 7.30 pm; Feb 12
Festival Hall Tel: (0171) 928 8800
● Igor Oistrakh Plays Mendelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Oistrakh; 7.30 pm; Feb 11
● Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner; 7.30 pm; Feb 8
Royal Academy Tel: (0171) 439 7438
● Philharmonia Orchestra: Kurt Sanderling conducts Beethoven and Shostakovich; 7.30 pm; Feb 12
GALLERIES
Hayward Tel: (0171) 261 0127
● Yves Klein: over 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; from Feb 9 to Apr 23
National Portrait Tel: (0171) 306 0055
● Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 9, 11
● Rigoletto: Jonathan Miller'a updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 10, 13
Royal Opera House Tel: (0171) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles; 7 pm; Feb 8
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists includa Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 8.30 pm; Feb 11
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 9, 14
● La Bohéme: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb 10
THEATRE
National, Cottesloe Tel: (0171) 928 2252
● Dealer'a Choice: written and directed by Patrick Marber, six men stay up late to play poker, and win at all costs; 7.30 pm; Feb 9 (7 pm), 10, 11 (2.30 pm)
National, Lyttelton Tel: (0171) 928 2252
● The Children'a Hour: by Lillian Hellman, directed by Howard Davies; 7.30 pm; Feb 9, 10, 11 (2.15 pm)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 8, 9 (2 pm)

■ MADRID

GALLERIES
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21

■ NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea; 8 pm; Feb 10
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 9, 11, 14
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8 pm; Feb 13
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Fab 8, 11 (1.30 pm)
THEATRE
Joseph Papp Public Theatre Tel: (212) 598 7150
● The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8 pm; (Not Mon)
Perry Street Tel: (212) 307 4100
● Dylan Thomas: Return Journey and The Truman Capote Talk Show. Two one man shows written by and starring Bob Kingdom. Direction by Anthony Hopkins and Kevin Knight; to Feb 11

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Alban Berg Quartet: plays Haydn, Webern and Beethoven; 8.30 pm; Feb 14
GALLERIES
Musée d'Orsay Tel: (1) 45 49 11 11
● James McNeill Whistler: exhibition of works; from Feb 8 to Apr 30
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● King Arthur: music by Purcell. A William Christie and Graham Vick production; from Feb 9 to Feb 19
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Fab 9, 12 (3 pm)
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the Orchestra and Chorus of tha Paris National Opera; 7.30 pm; Feb 8, 11, 14

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Berglund conducts Kokkonen, Tchaikovsky and Brahms; 8.30 pm; Feb 9, 10
GALLERIES
Corcoran Tel: (202) 638 3211
● Family Lives: photographs by Tina Barney, Nic Nicosia and Catherine Wagner. Exhibition explores the power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13
OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 9
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English; 8 pm; Feb 8

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Edward Mortimer

An unequal match

The Atlantic alliance is in bad shape after the cold war

Perhaps Europe's clearest common interest is the maintenance of a firm strategic relationsbip with the US. Three times this century the US has proved itself the indispensable guarantor of European freedom and stability. America is indeed "A European Power", the phrase used by Richard Holbrooke, assistant secretary of state for European affairs, as the title of his article in the forthcoming issne of the journal Foreign Affairs. So mnch so that, for many purposes, it makes as much sense to speak of an "Atlantic community" of interests and values as it does to speak of a purely European community.

In Munich last weekend, at the annual gathering of Nato defence ministers and other security buffs known as the Wehrkunde Tagung, there was much talk of giving expression to this Atlantic community in some new pact or treaty. This would go beyond the defensive military alliance already embodied in Nato and deal with the whole web of relationships, including economics and trade. But it was also suggested that this should be a partnership between equals. Nato, according to one French participant who claimed to be quoting an American friend, had been "a Mormon marriage", with the US as a benevolent patriarch lording it over a multiplicity of grateful European consorts. What was now needed was a modern marriage between two equal partners.

This is not a new idea. It goes back at least to John F. Kennedy's Philadelphia speech in 1962, when be called for an alliance based on two equal pillars. So far it has always failed because for strategic purposes the European pillar is not there. It is there for trade purposes, but in trade the EU and US do not treat each other as allies. This is no coincidence: modern marriages between equals are harder to manage than the Mormon variety.

So should we carry on with Nato, Mormon-style? For better or worse, that hardly looks possible. Without a Soviet threat, Europeans are less inclined to shelter under the strong right arm of an American patriarch; and the patriarch on his side sees less need to exert himself for their protection. True, the new US Congress is calling for the expansion of Nato. But last week the international security committee of the House of Representatives deleted the clause in the proposed "national security revitalisation act" requiring that Poland, Hungary, the Czecb Republic and Slovakia be prepared for accession to Nato by January 10 1999.

This, we were told in Munich by a member of the committee, Rep Norman Sisisky, "does not reflect any lessening of support for enlargement". Perhaps not, but it does suggest a dawning awareness that the process involves costs and risks which will have to be carefully weighed. Meanwhile, the same Congress refused to underwrite loan guarantees for Mexico, even wben offered Mexico's abundant and much-prized oil resources as collateral. Will a nation that is unwilling to pledge dollars to save its nearest neighbour and key trading partner from bankruptcy really undertake to go to war to save Hungary or Slovakia from an as yet unspecified aggressor – which is what Nato expansion means if it means anything at all? It is a question Europeans are bound to ask.

Nato was 'a Mormon union' of a US patriarch and a multiplicity of European consorts

Americans, on their side, ask bow deep is Europe's commitment to the community of values, since Europe appears willing to ratify the outcome of aggression and genocide in Bosnia, elevating the aggressor to the rank of peacemaker and statesman.

In Munich, Republican and Democratic senators alike urged warlike action by Nato to force Serb concessions in Bosnia, and the Republicans warned that failing this they would vote to lift the arms embargo, which they regard as contrary to the UN Charter and to international law. Europeans without exception, from UK defence secretary Malcolm Rifkind to German foreign minister Klaus Kinkel, warned that this would force a pull-out of UN forces (Unprofor), would lead to an all-out war in Bosnia with disastrous consequences for the civilian population, and might spark a conflagration in the southern Balkans which could easily involve Nato members Greece and Turkey.

So Europe has found a voice and a message for the US. But it is a depressingly negative one. It consists of warning against irresponsibility, self-righteousness and the abstract assertion of moral principle. It involves vaunting the merits of a holding operation that has at best contained the war, and of a peace process that shows no sign of producing the Serb concessions which alone would give it any prospect of success. It draws attention to the danger of the war spreading but neither explains how the presence of Unprofor in Bosnia helps to prevent war in Kosovo or Macedonia, nor proposes any more direct means of doing so. Indeed it ignores the fact that it is the US, by stationing troops in Macedonia and giving an explicit warning to Serbia on Kosovo, that can claim most credit for "containing" the conflict up to now.

The Balkan clock is ticking. President Franjo Tudjman of Croatia has ordered UN troops out of his country by March 31. The ceasefire in Bosnia expires on April 30. Mr William Perry, US defence secretary, said he expects "resolution" of the congressional debate on the arms embargo "within a month or so". If Unprofor withdraws, the US is pledged to send troops to cover its withdrawal, which will probably happen in tbe midst of intense fighting, with the Moslem enclaves in eastern Bosnia being the likely first casualties. Whatever the outcome, it seems virtually certain to be accompanied by a more virulent outburst of transatlantic recriminations.

Sorry to have to say it, folks. The alliance is not in good shape.

Ralph Atkins on Equitas, a new company to take over billions of pounds of old liabilities at Lloyd's

Payment for past excesses

Outstanding claims on old insurance policies, some dating back decades, have long cast a shadow over the prospects of Lloyd's of London. Provisions for such claims largely explain why Lloyd's has run np losses in excess of £7bn in recent years.

Later this month, the insurance market is due to publish a first guide to the proposed structure of Equitas, a new company intended to take over responsibility for billions of pounds of as yet unquantified liabilities from US asbestosis and pollution claims.

The aim is that by the end of this year, liabilities on insurance policies sold in 1985 and before, together with sufficient reserves to meet claims, will be "reinsured" – or moved – into Equitas, formerly known as Newco. Post-1985 liabilities could be moved into Equitas at a later date.

No figures have been given yet but for many Names the terms of reinsurance deals may mean they have to make an additional payment to Lloyd's – a move unlikely to be greeted with enthusiasm. But Lloyd's believes it has little alternative to ensuring the project's success.

Without Equitas, the market would remain blighted by its past, deterring corporate capital needed to replace funds from the thousands of Names (individuals wbose assets have traditionally supported the insurance market) who have stopped underwriting. Uncertainty would remain about the cost of Names' liabilities – and when they might arise.

Equitas could also prove important in attempts at forging an out-of-court settlement with Names now suing Lloyd's professional agents for compensation. Many will not agree to drop litigation unless their debts to Lloyd's are "capped" – and they can resign from the market knowing they have paid their final bill. For those with "old year" liabilities, Equitas may provide the only means of achieving that.

Standard & Poor's, the US-based rating agency, says Lloyd's attempts to return to long-term prosperity are akin to a game of Snakes and Ladders. Progress is made on one front – the market is now trading profitably, for instance – but Lloyd's still faces pitfalls. The failure of Equitas, it says, would be "the longest snake of them all".

The Equitas plan is breathtaking not just because of the cost if it fails. The liabilities involved are likely to put it on a par with the world's largest reinsurance companies. More than 100 auditors and accountants are scrutinising the records of Lloyd's syndicates, many of them sketchy and dating back to the 1930s. New actuarial techniques are being developed to gauge possible claims in an area where normal forecasting techniques are unreliable.

Trevor Humphries

Heidi Hutter, Equitas project director: 'climbing the Matterhorn of the insurance world'

Project director Ms Heidi Hutter says: "We may have started from well behind because we didn't have databases and the like but we're very rapidly moving up in terms of technology. I think we're going to outstrip the insurance industry in the way we look at reserves."

Already the project's compnters bold details of 54,000 reinsurance policies taken out by Lloyd's underwriters over many years to protect themselves against excessive losses. Some of the risks were placed with Lloyd's underwriters; others offer the chance of recouping finance from outside insurers.

The project's attraction – which Lloyd's leaders believe makes it worthwhile overcoming the logistical hurdles – is the potential for economies of scale. Ms Hutter has identified at least three areas where Equitas can produce substantial cost savings:

- Reinsurance contracts. Equitas should be able to cut through the tangled net of offsetting reinsurance deals between Lloyd's syndicates and outside insurers. By deciding quickly wbo is owed money, Equitas should immediately improve cash flow.
- Claims handling. Equitas will have more clout in negotiations with policyholders. In many cases it might be able to reach deals releasing Lloyd's entirely from future obligations. At present the number of Lloyd's syndicates behind many policies makes negotiations time-consuming and complex.
- Investment strategy. Unlike Lloyd's syndicates which are annual ventures, Equitas will be able to take a long-term approach, matching its investments closely with the likely pattern of liabilities. That should boost investment income and reduce the initial premium Names have to pay to offload their liabilities.

In a letter to Names this week, Mr David Rowland, chairman of Lloyd's, hinted that the investment strategy was critical to keeping the cost of Equitas to affordable levels. He said early, unpublished estimates on reserves likely to be required by Equitas "confirmed the need to discount the liabilities" by taking account of future investment income.

There could be significant tax savings. Equitas is expected to be regulated by the UK Trade and Industry department but some observers suggest parts might be based offshore to take advantage of more generous fiscal regimes.

Yet despite the apparent cost advantages it is not yet clear whether Equitas is viable. Names are unlikely to receive figures on the premiums each insurance syndicate will have to pay to have old years' liabilities reinsured until late this summer. Nobody working on the Equitas project is prepared to guess by how much they will exceed Lloyd's reserves, and whether the gap will be bridgeable from Names' resources. The insurance market's central funds might also be used but are of limited size.

And in some respects, Equitas could actually increase Lloyd's difficulties in matching assets with liabilities. Names on Lloyd's syndicates with the greatest exposure to possible claims may have to pay most to have their liabilities taken over by Equitas. But these Names are the ones already facing the greatest financial strains created by incompetent and sometimes negligent underwriting in the late 1980s and early 1990s. They may simply not be able to pay.

At the same time, Equitas is forcing Lloyd's to address issues that could be delayed. It is having to price insurance claims it might receive over a period of many years, possibly decades, and then work out how it might pay them. Now is arguably precisely the wrong time for such an exercise. With Lloyd's financial fortunes at a low point – further losses are expected to be announced in May – Names' finances face the greatest strain.

But it is also possible that the efficiency savings available might even make Equitas profitable. Certainly that is Ms Hutter's ambition. It would make Equitas much more attractive to Names: after having paid to join, they would get a dividend in subsequent years if claims paid out by Equitas fell short of levels provided at its formation.

The prospect of profits would also help attract venture capital into Equitas. Lloyd's has appointed N.M.Rothschild, the merchant bank, to advise on the structure and financing of Equitas and it may well recommend that the funds provided by Names or by Lloyd's centrally need topping up. Extra capital could provide a financial cushion, allowing Equitas to meet regulators' solvency requirements.

If successful, Equitas could use its expertise to attract other custom, for example taking over other long-term policies from insurance companies that want to wind down their business.

Lloyd's leaders, battling to ensure the insurance market's long-term survival, would be content merely to see Equitas operating successfully at the end of this year – and finally offering relief from the problems of Lloyd's past. Problems from policies written years ago are shared with many of the world's insurers. But Lloyd's solution is unique.

As project director Ms Hutter says, Lloyd's is "setting out to climb the Matterhorn of the insurance world".

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Returning power to the elites

From G Rayner.

Sir, Michael Prowse is right in discerning the recent popularity of the writings of Alexis de Tocqueville among the Americans who talk about these things ("De Tocqueville is back in fashion", February 6). However, in endorsing de Tocqueville's preference for minimal federal government, he also reproduces the partiality of Tocquevillian sociology. Historical studies show that by the 1830s there was already a vast accretion of wealth and privilege – and hence power – in American society, a fact which *Democracy in America*, with its ideology of fragmentation, decentralisation and privatism, tends to mask.

Nor did the federal government, so much disliked by House speaker Newt Gingrich and his ilk – hardly modern Tocquevillians, these – grow simply through the aggrandisement of bureaucrats as Prowse supposes, but rather through a host of factors, ranging from the civil war in the last century, to attempts to establish limited forms of social protection in this. Giving power back to the states would create the large variety of levels of social provision that Prowse diagnoses. But it would also represent the return to power of those local elites for whom the limited remedies of the Kennedy-Johnson era were anathema.

G Rayner,
9 Dalebury Road,
London SW17 7HQ

Hungary right on state sell-off

From Dr B R Orton and Ms D A Vorsatz.

Sir, Hungary has suffered many adverse comments in your paper in recent months for slowing its path to capitalism. Examples include your Hungary Survey (November 11 1994) and the article "Hungary's sell-off plans cast into doubt" (January 13 1995). Moreover, Samnel Brittan, wben posing the question of where the next financial shock will come after Mexico, suggested that "Hungary needs to be watched" ("Davos Notebook", February 2).

But in your most recent article, "Yearning for the old familiar" (February 4/5) – a trait unknown to the English – it is at least acknowledged that Hungary has a democratic government. It therefore has the right to run its own affairs and may wish to slow the pace of the state sell-off. This would be particularly beneficial in the electrical power sector, which is to be offered for sale and where 43 per cent of supply comes from nuclear power.

It is estimated in the US that 49 per cent of all electricity could be saved with the cost-effective application of efficient end use. In the reforming economies of eastern Europe the potential for savings is even higher, since energy is used very wastefully.

Energy intensities (unit of energy necessary to produce one unit of gross domestic product) of these formerly centrally planned economies are two to five times higher than those of western Europe. Consequently, in the next one or two decades, the first power generation option in Hungary sbould be the improvement in energy efficiency to replace present generating capacity, including nuclear power.

It will not be a simple matter to carry this out successfully, and government intervention will be needed to benefit both Hungarians and investors.

B R Orton,
Physics Department,
Brunel University, UK
D A Vorsatz,
Energy and Environment Division,
Laurence Berkeley Laboratory, US

Turkey customs union raises steel concern

From Maria Alois.

Sir, Re your editorial, "EU and Turkey" (February 2), please let me point out that our steel producers feel very concerned at the implications of a customs union with Turkey. Since free market also means free competition, we are seeking a precise guarantee that all distortions of competition and unfair practices will be effectively abolished by Turkey.

Actually, Turkey last year produced 12m tonnes of steel and is the world's largest exporter of light long steel products (about 6m tonnes). During 1993, about 6m tonnes of ferrous scrap were purchased in western Europe – and subsidies are granted for the transport of this raw material, provoking high tension on the market both at supply and price levels.

So the problem is not exclusively a political one, bnt rather an economic one, and we are just asking for the abolition of subsidies for steel production.

Maria Alois,
secretary general,
European Independent Steelworks Association,
Rue Belliard 205,
1040 Brussels,
Belgium

Still visiting galleries

From Mr Stephen Pollard.

Sir, Antony Thorncroft's bizarre article "Keying into culture" (February 6) posits the suggestion that "new technology" might mean the end of gallery going, "as we choose to gaze on priceless works of art in the comfort of our homes".

I do not know how Thorncroft has been receiving information over the years, but I have got mine from books. Many of my books have reproductions of paintings in them. I still go to galleries.

Stephen Pollard,
Fabian Society,
11 Dartmouth Street,
London SW1H 9BN, UK

Unreliable basis to consider for entrance to Oxford University

From Mrs Alison Wolf.

Sir, It is overwhelmingly probable that Oxford University will this week vote to abolish its entrance examination. In the future, entry will depend largely on the subjective judgment of the one or two individual academics who interview a candidate.

There is in fact overwhelming research evidence that interviews are a completely unreliable basis for selection at any level.

It is unclear why Oxford dons should be an exception to the general rule; still less why they, of all people, feel so sanguine about ignoring the evidence of academic research.

The division of Oxford into separate colleges, each controlling its own admissions, makes the whole process yet more random. One college may, one year, receive 50 applications for eight places in a given subject while another receives 10. The next year the situation may be reversed. Unstable fluctuations are built into the system, since applicants have no relevant information on which to base their choice of college. To claim that candidates will face equal or fair odds beggars belief.

It is quite extraordinary, in a modern society, for entry to a key elite institution to be determined in this way. In most countries, university entrance is completely determined by fixed, "objective" rules.

The huge and growing importance of higher education for people's lives, and its cost to the public purse, creates a pressure for transparent and fair procedures.

Oxbridge is not obviously decreasing in importance as a route into the UK elite. It is therefore unlikely that its academics will continue indefinitely to monopolise decisions over who may enter.

This week's Oxford vote may figure as the prelude to a new assertion of government control, equivalent to the 19th century reforms which first forcibly introduced entrance examination for Oxford and Cambridge.

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FINANCIAL TIMES
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Mexico's rescue

Not only are some banks too big to fail, but at least one country is, it appears, also too close to the US to fail. This is itself worrying because it must aggravate the moral hazard affecting Mexican policy. But bigger questions are raised by the reaction to recent events. In particular, is such e huge intervention justified? And how should such crises be handled in future?

There are two reasons why these questions matter. First, such crises will recur, since capital markets will always be skittish and governments similarly foolish. Second, the handling of this particular crisis has been a catalogue of errors, starting with the accumulation of short-term debt by the previous Mexican government and the bungled devaluation by the present one, proceeding via the failure of the Clinton administration to win congressional approval for the first rescue plan, ending with the second plan and resultant friction between the US and several European countries.

Why was it necessary to offer as much as $50bn to Mexico? People as serious as Mr Alan Greenspan, chairman of the Federal Reserve, and Mr Michel Camdessus, director general of the International Monetary Fund, insist that Mexico's difficulties threatened e "systemic crisis". Mr Camdessus has even warned of "e true world catastrophe", particularly if Mexico had been forced to adopt exchange controls.

Large losses

It is impossible to evaluate this sort of claim with any confidence. Maybe a systemic crisis was threatened. But it would be good to know what it was. Large losses by bond funds pose no such threat. Nor do difficulties in even quite a number of developing countries. A serious risk to core financial institutions, particularly banks, might indeed threaten such a crisis. But the difference between recent flows and those that precipitated the debt crisis of 1982 was supposed to be the relatively small role played by banks this time.

What is certain is that action to avert an alleged systemic crisis is bound to encourage the kind of behaviour that will lead to tha next one. Investors will, for example, now be encouraged to advance short-term funds in the belief that industrial countries will take care of any liquidity problems. This is a sure way of making the financial system more fragile under the guise of making it safer.

How should such crises be handled? The answer must be routinely, since they will hardly be rare events. One part of such action should be debt restructuring. Where a liquidity crisis arises on short-term debt, investors should be expected to offer longer maturities. Meanwhile, assistance from a body like the IMF is justified, but mainly by the need to slow the pace of adjustment towards smaller external deficits. The case for this is to limit the hardship imposed on the Mexican people by the need to reduce the current account deficit.

Damaged credibility

The way this challenge has been handled has been unfortunate. It has, for example, damaged both the credibility of the US government and its relations with allies, which underlines why international institutions were set up in the first place. If such an operation was required, either total IMF resources or their accessibility for any individual borrower needs to be enhanced. But other institutional changes are also naeded. One is more effective monitoring of short-term sovereign borrowing. Another is greater willingness to challenge exchange-rate policies. Such attempts to police countries more closely is bound to be unpopular. But if rescues on the present scale are to be mounted, this is the least borrowers can expect.

The fundamental issue, however, is what this huge rescue signifies. Mr Camdessus argues that the intervention has been required to underpin the credibility of the market-oriented approach to development. What it does is undermine it. It does so by substituting official for private capital, by offering implicit insurance to private capital flows, by making unsound private finance more probable and, most important, by indicating a lack of confidence in the self-correcting capacity of financial markets. If this is what the authorities really believe, how can they continue to justify reliance on private capital flows to developing countries at all?

Speculation in commodities

A littla over a year ago global bond markets collapsed. Soon after, it was the turn of the emerging markets, which suffered, first, from the bond market backwash, then from the consequences of the Mexican devaluetion. This week the pressure has fallen on commodities, which on Monday saw sharp falls, especially in industrial metals. Analysts who believe in a financial equivalent of the domino theory may be tempted to cita commodities in support of their thesis that the world is in the grip of a bear market which will culminate in an equity market collapse on Wall Street. Yet the underlying forces point to a less simplistic explanation for the recent behaviour of commodity prices.

Between 1900 and 1980 the aggregate price of commodities declined steadily in real terms, even allowing for strong upsurges in the first world war and during the oil crisis of the mid-1970s. Then prices went toto a tailspin. On World Bank estimates, the value of real commodities more than halved between 1980 and 1993. Last year saw an abrupt about-turn, notably in base metals, cotton and rubber, from a very low base. Copper rose by more than 70 per cent, while aluminium rose by more than 80 per cent. Many investors claimed to be looking for a hedge against a renewed inflationary threat. Yet gold, traditionally a safe haven egainst inflationary excess, has remained subdued.

Straightforward bet

The clear implication is that speculators have been viewing industrial non-oil commodities as a straightforward bet on a recovery in world demand. The proximate cause of the sell-off on Monday was in fact the weakness of the US unemployment figures on the previous Friday. This was taken to mean that the US Fed's successive interest rate increases were finally taking effect and that the economy was slowing down. On that basis, demand for commodities that were sensitive to recovery might have been expected to weaken.

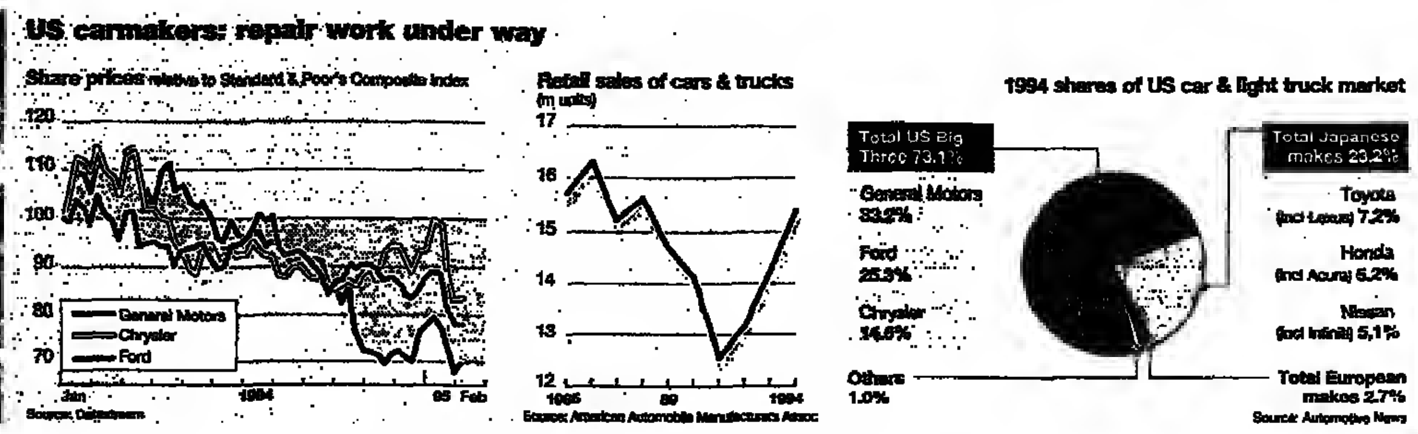
This hardly supports the domino theory, since lower growth in the US would be good for bonds. And indeed bonds soared on Friday. So did equities, on the basis that a slowing economy would bring forward the peak of the interest rate cycle. Yet one month's figures are an odd justification for such a steep one-day plunge in commodities; and the wider evidence of e US slowdown remains, as yet, flimsy. This tells us that speculators are at play.

Easy exposure

Many of those speculators come from the banking community. According to HSBC Greenwell, banks are now estimated to control around 75 per cent of stocks on a much rejuvenated London Metal Exchange. When profits from proprietary trading in bonds turned into losses last year, commodities appeared to offer a potentially profitable diversion from conventional securities. Meantime, US investment banks have been trying to persuade pension fund clients to treat commodities as a separate asset category to rank with equities, bonds and real estate. Warrants and futures have been devised to give easy (and leveraged) exposure to the commodities markets. The tempting argument is that commodities provide worthwhile diversification from bonds because they are not vulnerable to inflation.

The snag with this argument is that they are an exceptionally speculative form of diversification because they yield no income. The commodity markets are volatile, compared with the world's main bond markets. And over the long run commodity prices have not been any hedge et all against inflation as the industrialised countries' economies have become less commodity-intensive and their governments have granted ever larger subsidies for agricultural production, imposing downward pressure on food prices.

There have, admittedly, been periods in which commodities have provided a a short-run anti-inflationary hedge. But they are not easy to spot in advance. And since statistical evidence suggests most fund managers neither consistently outperform or underperform, the case against treating a volatile, incomeless asset as a suitable investment for tax-privileged fiduciary funds looks overwhelming. Markets need stabilising speculation, but pensioners have no need for commodities.



Wall Street's Motown blues

US carmakers made big profits in 1994, but stockbrokers reckon sales may have peaked, says Kevin Done

Wall Street and Motown are singing out of tune. For months, the financial markets have marked down the share prices of the big three US carmakers just as Chrysler, Ford or General Motors have announced one record profit after another.

In recent weeks the dissonance has worsened. Wall Street senses that its forecasts of slower US sales are becoming reality. The carmakers disagree, insisting that the US economic recovery, which has boosted car sales, still has some way to run.

Much is at stake. The big three are labouring to finish the repair work on balance sheets badly battered by the last recession, in time for the next downturn.

The competitiveness of US vehicle makers has improved greatly during the past three years, both through their own efforts and because of the rapid appreciation of the yen, which has hurt their Japanese rivals.

But the tell-tale signs to support the financial markets' pessimism cannot be denied. Rebates and other sales incentives for car-buyers – cut in the recovery to the great benefit of the manufacturers' bottom lines – are increasingly in evidence.

Dealer inventories of some small cars grew in the fourth quarter last year, prompting a cut in output at some plants last month. Overall vehicle production in North America continued to rise by e healthy 8.1 per cent in the first five weeks this year, but the first sales results look more anaemic: sales of cars and light trucks in January dipped by 2 per cent year-on-year to just over 1m units.

And despite the strength of the yen, the big three's Japanese competitors did not yield any ground last year, increasing their share in the US car and light truck market to 23.2 per cent from 23.1 per cent in 1993. Mr Bob Eaton, Chrysler chairman and chief executive, accepts the sobering fact that Toyota, the leading Japanese carmaker, is now restructuring "to be competitive with the yen at 80 or 90 to the dollar".

European carmakers too are staging a modest comeback, especially in the higher reaches of the market, where BMW, Mercedes-Benz and Volvo are all significant players. For the first time in a decade, European carmakers are developing assembly plants in the US. New challengers are also emerging from South Korea, with Kia launching last year and Daewoo expected in 1996.

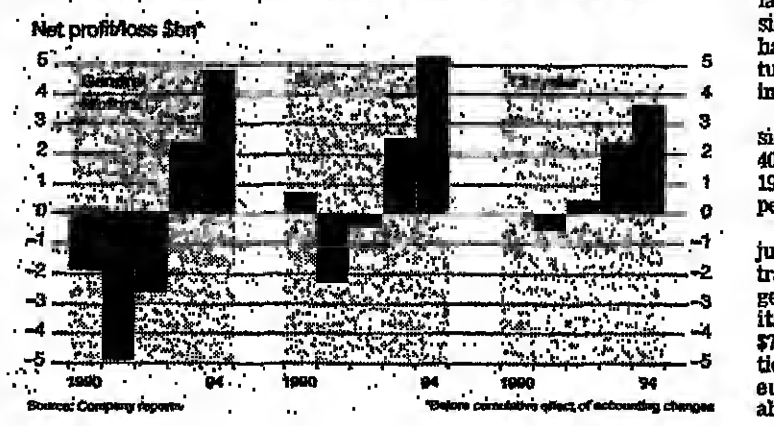
Another problem for US car manufacturers is the rise in interest rates. The US Federal Reserve's move to raise short-term rates to 6 per cent last week was the seventh increase in a year-long succession of rises, raising doubts about the continued resilience of sales.

Carmakers are concerned that the interest rate increases could soon start to erode consumer confidence. "The level of confidence remains very high," Mr Alex Trotman, chairman and chief executive of Ford, the second largest US carmaker, said last week. "But this is e fragile thing, we've seen it before. It can be high but then go down very, very quickly."

There was no doubt about the robustness of the market in 1994. Last week Ford unveiled record net profits for last year of $5.3bn – more than double the earnings of a year earlier. Chrysler, the smallest but most profitable of the big three US carmakers, has reported a 53.7 per cent jump in net profits for last year to a record $3.7bn, while GM has unveiled e 99 per cent rise in net profits to $4.9bn.

US vehicle sales – total cars and trucks – rose for three years in succession from 1992 to 1994, including an increase of 8.5 per cent to 15.4m last year, the industry's strongest performance since 1988.

Despite the doubters in Wall Street, Ford is still forecasting e further rise in new vehicle sales this year to between 15.8m and 15.9m, which would make 1995 the US motor industry's second best year behind the 1986 peak of 16.3m.



Sales reached a low point during the last recession of 12.5m in 1991.

In recent years, the strong recovery in volume sales and production has allowed the big three greatly to improve plant capacity utilisation, to reduce costly sales incentives and to improve margins. They have also restructured to introduce lean manufacturing methods, to improve the efficiency of their new model design and engineering operations and to raise quality.

The pace is relentless and the high earnings are needed to fund future product programmes. Chrysler is preparing to pour close to $23bn into spending on new product development and plant improvements in the five years from 1995 to 1999, compared with the $15.6bn spent from 1990 to 1994.

It is aiming to introduce more flexibla manufacturing processes, bolder designs and shorter product cycles.

Undoubtedly Chrysler is best prepared for bed news. The group, which was close to financial collapse in the depth of the last recession at the beginning of the 1990s, has achieved e dramatic financial turnround from e net loss of $538m in 1991.

It has now fully funded its pension fund for the first time in nearly 40 years with e payment of $2.6bn in 1994, finally eliminating the $4.4bn pension liability it faced in 1991.

Chrysler, whose debt had sunk to junk bond status in 1991, has been transformed into a formidable cash generating machine. It has reached its goal of creating more than $7.5bn in liquid assets in preparation for the next downturn in the automotive trade cycle, two years ahead of target.

The group has veered wildly between feast and famine, coming close to financial collapse twice in the past 15 years, and Mr Eaton says his personal ambition "is to be the first chairman never to lead a Chrysler comeback".

GM's strength for several years has been its international automotive operations, which earned net profits of $1.58bn last year ($1.1bn in 1993) compared with Ford's $784m (a loss of $542m in 1993). But in North America – the market it dominates with a 33 per cent of US sales – GM is only now emerging from financial trouble.

Its North American automotive operations (NAO) earned a net profit of $690m last year, the first annual profit since 1989, but that still represented a oet profit margin of only 0.7 per cent in the fourth-best year ever for US new vehicle sales. GM, in other words, is ill-prepared for any premature weakening in US sales.

Mr Rick Wagoner, GM's NAO president since July last year, admits: "The reality and results at GM do not yet come close to matching our expectations. In spite of the progress we've made, if we don't continue to make a lot more progress in our cost structure by the next major downturn, it will not be pleasant for us at GM, and we are really focused on that fact."

Wall Street, the carmakers say, has nevertheless jumped the gun in marking down share prices. Ford's share price has fallen by 26 per cent during the past 12 months, Chrysler's by 27 per cent and GM's by 38 per cent. Grudgingly the share prices have moved upwards a little in response to the 1994 figures, which were better than expected, but the markets remain cautious.

In the short term the financial markets may be fixated on second-guessing when the US car market will peak, but for the carmakers it is more e question of becoming fit to survive at any point in the trading cycle. "By making changes now we believe we'll be prepared not just to survive the next cyclical downturn and the global shake-out, but to prosper and grow in the 21st century," says Ford's Mr Trotman.

The limits to Ulster's cross-border links

PERSONAL VIEW

Leaked reports of the framework document setting out UK-Irish proposals for a lasting political settlement in Northern Ireland have cast unionists once again in a negative role. Why have they been left with no alternative but to declare "Ulster says No"? It is because the framework document appears to favour minority nationalist aspirations at the expense of the majority unionist position.

Most people in Northern Ireland will accept a settlement to which the province stays in the UK and also has an elected assembly to administer the departments of government in Belfast. It would be acceptable for departments to be administered by committees, whose membership reflected the electoral strengths of all political parties, including Sinn Féin, the IRA's political wing. Committee chairmanships would be shared between parties. This would resemble the European Parliament system.

But the principal problem is the Irish dimension. After 20 years of UK and Irish membership of the European Union, there is more reason than ever for co-operation between Northern Ireland and the Republic. There is much cross-border co-operation between France, Switzerland, Germany, Italy and Austria. Similar co-operation should exist on the island of Ireland as EU policies increase harmonisation between the UK and the Republic.

But cross-border co-operation must be a genuine attempt to improve the social and economic fabric of cross-border regions. It must not be a more subtle attempt to bring about a united Ireland or lever Ulster out of the UK. Co-operation must be motivated by a desire to achieve economic and social progress and not by political or constitutional concerns. There is no example of a cross-border body with executive powers in western Europe in which one partner is the region of one nation and the other is an entire sovereign nation.

Yet the framework document apparently rejects the European precedents and suggests thet there be all-Ireland bodies with executive powers. If it is Belfast and Dublin who will co-operate in cross-border bodies, then they should be the bodies' source of authority. It is a formula for instability if London imposes all-Ireland bodies over the heads of the Ulster people.

There is more reason than ever for co-operation between Northern Ireland and the Republic

It is not that Ulster Unionists reject out of hand the notion of cross-border bodies with executive powers. They combined with Dublin to set some of them up in the 1950s and 1960s. I served in a government to Belfast which operated one: the Foyle Fisheries Commission, which controls the fishing waters and tributaries of Lough Foyle on both sides of the border and continues to operate successfully with support from Dublin and Belfast.

Such bodies make even more sense today. But there is a world of difference between cross-border regional bodies with executive powers, created by the elected authorities in Belfast and Dublin, and all-Ireland bodies with executive powers imposed on Northern Ireland by Dublin and London.

It is in everyone's interest to overcome the problems created by recent leaks. Peace in Ulster is at stake. It is not too late for all involved – Dublin, London and the Ulster people – to step up efforts to overcome the impending political crisis by devising a formula that will appeal to most people in Northern Ireland, improve co-operation within the island of Ireland and guarantee the peace process.

One way of providing a firmer base for political progress would be for Mr John Major, the UK prime minister, to state that he supports the integrity of the UK. But unfortunately Mr Major was last week able to say only that be would not be a persuader for a united Ireland.

There is now no difference between Mr Major and Mr Tony Blair, the Labour leader, in their attitude towards Northern Ireland's relations with the Republic of Ireland. Mr Major is neutral on the position of Northern Ireland within the UK whereas Mr John Bruton, the Irish prime minister, fully supports and works for the policy of a united Ireland.

John Taylor

The author is Ulster Unionist MP for Strangford

OBSERVER

Home sweet home

■ Mayer Amschel Rothschild would turn in his grave, or et least grin wryly, at the antics of 20th century capitalists. Amid the legal wrangles surrounding Metallgesellschaft, a former Rothschild villa in Frankfurt forms part of the conflict between the company and its former chairman.

Metallgesellschaft nearly collapsed last year after heavy US oil trading losses. It's now suing former chairman Heinz Schimmelbusch, dismissed more than a year ago, over his role in the debacle.

The company says that in 1990 it bought and renovated a house for Schimmelbusch's own use, though he never lived there. The house once belonged to the Rothschilds, whose banking empire – now the subject of a Frankfurt exhibition – began with Mayer Amschel in Frankfurt more than 200 years ago. The deal cost Metallgesellschaft, whose supervisory board was not informed, some DM6m.

It recently was sold for less than half that; a very un-Rothschild outcome.

Clammed up

■ For those tired of the Turin shroud – the cloth which some have claimed wrapped Christ in his tomb and bears an imprint of his likeness – we now present the Mao Zedong clam shell.

A Chinese farmer from Jiangxi province claims to have stumbled upon a clam shell, the pattern of which bears a remarkable similarity to the profile of the late Mao Zedong.

The farmer sold the shell, dug up from a river bed last November, to e badge collector for the equivalent of $12, according to the semi-official China News Service. Now the serious collectors are showing interest. Measuring 6.6 inches by 6.4 inches, the shell's pattern apparently resembles Mao's profile, similar to his image carried on a Chinese banknote.

Davos delirium

■ Klaus Schwab, founder of the World Economic Forum, which hosts the annual bash of global bigwigs in the Swiss alpine resort of Davos, may have his eyes on even more dizzying heights.

The English-language Geneva Post newspaper reported yesterday that Schwab had been sounded out "by a number of ambassadors in Geneva" as a possible compromise candidate in the deadlocked leadership contest for the World Trade Organisation. Schwab's publicity machine seized on the story, faxing copies of it, along with his biography and a recent article of his on world trade.

His anonymous backers in Geneva's diplomatic corps proved harder to flush out. One ambassador called his rumoured candidacy "bizarre". Another, from one of the WTO'e bigger members said: "I haven't been able to find anybody who's asked him to run."

Tempus fudged

■ More on the "better late than never" front. The French Communist party now thinks communist rule in the former Soviet Union was a bad thing.

Robert Hue, the party's leader, has just said so. Hue, who at 48 was only six when Stalin died, can perhaps be forgiven for just having caught up with history, even though the Berlin Wall was breached in 1989 and the Soviet Union broke up in 1991.

But the epproach of elections always wonderfully concentrates the minds, even of communists. French opinion polls currently give the party about 7 per cent support; back in the heady early 1970s it was closer to 25 per cent.

Spinning doctors

■ Who said that a Hungarian is someone who goes into a revolving door behind you and comes out in front? It needs updating; sometimes they just go round and round.

Gyorgy Suranyi yesterday became the new chairman of the National Bank of Hungary, the central bank. Again. He last had the job in 1990-91, before whizzing off to the private sector as managing director of Central European International Bank, Hungary's leading joint venture bank.

The career of Lajos Bokros, yesterday anointed finance minister, has been even more dizzying. A one-man financial phenomenon, Bokros has rotated through the central bank's capital markets department, the stock exchange, the privatisation agency and Budapest Bank, where be was chief executive and architect of its sale to Credit Suisse.

Hungary is a small country, with an even smaller elite; anyone who is anyone knows everyone, Budapesters say.

But not as well as Suranyi and Bokros, both in their late 30s, know each other. They went to college together, euthored papers together, gave each other jobs: "They are like brothers," ssys a former academic tutor.

Given the clouds gathering around the country's finances, a bit of sibling support might come in handy.

Good and bad

■ And in today'e Hungary, old pre-perestroika jokes may well make e comeback.

Thus a pessimist is someone who says that things can't get any worse, whereas an optimist says: "Oh yes they can."

The Financial Times

100 years ago

New companies
Norfolk Syndicate Ltd. Capital £12,500 in £1 shares. Objects: To acquire mines, mining rights, lands, mineral properties, concessions, grants, licences &c in South Africa or elsewhere, and to carry on business as miners and smelters in all its branches.
Mrs Harris Ltd. Capital £2,700 in £1 shares. Objects: To carry on business as milliners, mantle makers, artificial florists, costumiers, outfitters, tailors jewellers &c.
Great Grimsby Nautilus Cycling Club Company Ltd. Capital £1,000 in £1 shares. Objects sufficiently indicated by the title.

50 years ago

Reich banknotes
German banknotes are no longer printed on watermarked paper. This information, received officially in London, is regarded as of great importance, as the watermark is the vital safeguard against forgery. Its absence must lead to growing financial confusion and instability inside Germany.

FINANCIAL TIMES
Wednesday February 8 1995

SNC and Paribas buy cut-price Tokyo seats

Emiko Terazono in Tokyo and Norma Cohen in London

Smith New Court, the UK broker, and Paribas Capital Markets, the French securities house, are buying seats on the Tokyo stock exchange despite the continuing slump in Japanese share trading.

They are taking advantage of poor trading conditions to buy seats at a big discount to foreign brokers who paid Y1.3bn ($13m) each for memberships in 1990.

The companies are buying seats from US brokers looking to abandon Japanese equity and bond operations. Smith New Court will buy Prudential Securities' seat for Y800m, while Banque Paribas has agreed to purchase its membership from Kidder Peabody at Y750m.

While many stockbrokers in Tokyo are struggling to make adequate profits, both Smith New Court and Banque Paribas believe the market, the world's second largest after New York, will revive when the Japanese economy recovers.

They and other foreign houses also hope growing pressure for financial deregulation in Japan will increase opportunities.

SNC has operated a representative office in Tokyo since 1987 and has recently expanded its Asian securities operations. It has seats on the Hong Kong, Singapore and Kuala Lumpur stock exchanges and has applied to operate a representative office in Shenzhen. Banque Paribas has for 25 years had an office in Tokyo for corporate banking, asset management and capital markets activities.

However, the immediate outlook for broking in Tokyo remains difficult. Foreign houses benefited from record buying last year by foreign investors totalling Y4,100bn, which few analysts expect to be repeated in 1995. Overall turnover is depressed, averaging Y334bn a day last year compared with the Y500bn many brokers regard as a minimum needed to break even.

Business has declined since 1989, when the market peaked with the Nikkei index of leading stocks hitting over 39,000. It now stands at about 18,500. Some smaller Japanese companies are not expected to survive a fifth difficult year and several are also planning to sell their seats. "Some form of realignment is expected to happen (among medium and small brokers)," said Mr Mark Faulkner, financial analyst at S.G. Warburg.

There are signs that the reorganisation has begun. Maruichi Securities, a small broker and member of the Tokyo stock exchange, was bought by Credit Saison, a consumer credit company belonging to a retail group, last October. Last month Century Securities, owned by Daiwa Securities, was bailed out by the Brunei government which will own 20 per cent.

Prudential and Kidder Peabody are the first foreign companies to leave the exchange since County Natwest Securities, a subsidiary of National Westminster Bank, pullad out in 1993, selling to Tokyo dealer, Akane Securities.

UK brewers face inquiry into wholesale beer prices

By Roderick Oram in London

The UK's Office of Fair Trading is to investigate brewers' wholesale prices to see if they are unfairly high to tenants of pub estates.

Brewers played down the unexpected inquiry, saying it would probably vindicate the traditional system of tied tenancies. But investors were less sure and share prices declined sharply.

One immediate corporate casualty of the inquiry was Century Inns, the Teesside-based pub owner. It said it was postponing its flotation, due to be priced tomorrow, until after the probe.

There was also speculation in the City of London that the long-rumoured sale of Courage, the UK brewing arm of Foster's Brewing of Australia, would be delayed. Foster's has given no indication of its plans for Courage but the financial markets in the UK and Australia believed a sale to another UK brewer was imminent.

City analysts said Sir Bryan Carsberg, director-general of the OFT, might conduct an in-depth investigation which would result in further government action to loosen the bond between brewers and the retail outlets they own.

Shares in Bass, the largest brewer and potentially the one most affected, closed down 20p at 523p. Whitbread shares fell 28p to 536p and Scottish & Newcastle fell 12p to 492p.

The inquiry was sought by the European Commission, which is reviewing the pub leases of Inntreprenuer Estates, the pub joint venture owned by Grand Metropolitan, the UK food and drinks group, and Courage. Such leases require an exemption from EC competition policy, which has already been granted to some other brewers' agreements.

The Commission said it was concerned that Inntreprenuer tenants were obliged to buy beer from Courage at full list price "which is significantly higher than the price charged" to free trade customers who are not tied to Courage. The Commission "has been told that other large brewers appear to operate similar pricing policies".

Sir Bryan said the OFT aimed to identify the effects of price differentials on competition between tied and free pubs.

Discounts have been growing larger and even moderate-sized buyers of beer such as pub companies or wholesalers are believed to get up to one-third off the list price of a barrel of beer.

Brewers defended the practice of charging their tied tenants full prices. They said the tenants got lower rents and other help.

See Lex

Hungary picks bank chief and finance minister

By Virginia Marsh in Budapest

Mr Gyula Horn, Hungary's Socialist prime minister, nominated Mr Gyorgy Suranyi as president of the central bank and Mr Lajos Bokros as finance minister yesterday.

The appointment of two competent, independent-minded financial specialists to head the country's top financial decision-making bodies is a move to restore confidence in Hungary's financial management.

A two-month delay in appointing a new central bank governor, uncertainty over the direction of economic reform and ill-disguised tensions in the ruling Socialist-Liberal coalition have helped wipe 20 per cent off the value of Budapest's stock market this year and made foreign investors nervous.

Mr Suranyi, who is in his early 40s, is widely considered to be the shrewdest of Hungary's young bankers, and played a key role in modernising the central bank during the first post-communist government.

A former central bank president, Mr Suranyi became managing director of Central European Investment Bank, a local majority foreign-owned bank, and turned it into one of Hungary'a most profitable private commercial banks after his removal from the central bank three years ago.

Mr Bokros, also in his 40s, is president of the Budapest stock exchange and of Budapest Bank, a leading state-owned bank. The candidates have been agreed by the Free Democrats, the junior coalition partners, but may produce friction with more traditional socialist-minded members of the ruling party.

The nominations follow last month's departures of Mr Laszlo Bekesi, the former finance minister and leading reformer, and Mr Ferenc Bartha, who had been a well-respected privatisation chief.

The nominations of the two candidates, who must be formally approved by parliament, is expected to restore some confidence, but came too late to prevent Standard and Poor's from revising downwards its rating outlook for Hungary's foreign currency debt. The ratings agency said yesterday its rating remained BB+, but that the outlook was now "negative" rather than "stable".

The agency said a shortfall in privatisation revenue might lead to greater borrowing and an increase in the country's foreign debt, which last year rose to the equivalent of 126 per cent of annual exports and now totals US$18bn. Last year the current-account deficit was about $4bn.

The economy last year grew by about 3 per cent, with increasing exports and a fast-expanding private sector. But there is concern that the need to service debts will stifle economic development.

IMF chief

Continued from Page 1

managed, you can still have an unexpected drop in commodity prices accompanied by a major political crisis and a third factor of temporary vulnerability, and you have a crisis on your hands."

He is expected to use the February 17 meeting to promote his idea for a special fund to provide big sums at short notice to economies threatened with speculative outflows. The idea has backing from Mr Edmond Alphandéry, France's economy minister, but is opposed by several finance ministers, including those of Germany and Britain.

Time Warner cable deal

Continued from Page 1

which assets might be sold, beyond saying they would lie outside its core businesses. Candidates are thought to include its 20 per cent holding in Turner Broadcasting, worth more than $1bn, and parts of its cable network which fall outside the main regional clusters. Ahead of such disposals, Time Warner will have 11.5m cable subscribers, making it broadly equal with the industry leader, Tele-Communications.

Moody's and Fitch, the US rating agencies, gave unchanged ratings to Time Warner's debt yesterday, and the company's shares rose $1 to $38¾ in early trading. The company said the two cable deals would each add $250m to annual cash flow.

Combined sales for Time Warner Inc and Time Warner Entertainment rose 9 per cent for the year to $15.9bn, the company said. Cash flow rose 9 per cent to $827m in the quarter and 5 per cent to $2.96bn for the year.

While cash flow rose in publishing, music, films and home video, it fell 4 per cent for the year in cable TV to $989m, despite a 4 per cent rise in the number of subscribers. This was due to government-imposed limits on subscription rates.

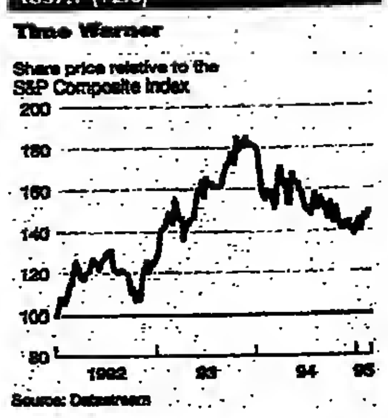
LEX COLUMN

Time's tangled cables

If Time Warner can pull off tha restructuring plans announced yesterday, its stock will deserve a rerating. For shareholders, its latest $2bn-plus cable television acquisition is the least important announcement, though still positive. Views may differ over how cable should be valued, but industry consolidation makes sense. Forming contiguous clusters enhances advertising potential and cuts operating costs. It also puts the industry in a better position to thrive in the coming battle when cable and telephone companies invade each others' turfs.

But the more important announcement is Time's plan to simplify its corporate structure by hiving the cable operations off into a separate entity – of which it might end up owning less than half. Not only is there little synergy between its cable networks and its "content" businesses, covering music, films, TV programmes and books; the cable operations are held through a confusing tangle of joint ventures. Untangling these partnerships would help investors value the business. The snag is that doing this will not be trivial. Some of its partners may demand a high price for their agreement.

FT-SE Eurotrack 200:
1397.7 (+2.6)



Metallgesellschaft

In little more than a year as chief executive of Metallgesellschaft, Mr Kajo Neukirchen has achieved a heroic management task. He has raised DM4bn ($2.60m), much of it from the sale of 317 subsidiaries, cropped the workforce by 15,700, and staunched the losses caused by imprudent trading in oil futures at the MG Corp US subsidiary. He has also restored the group's operating profitability and cut the amount owed to banks.

The result is that, against the odds, Metallgesellschaft has survived. However, the cost of survival has been immense. This is true in terms of the cash which shareholders have had to provide in two substantial financial reconstructions.

It is also true in terms of the damage done to the reputations of Deutsche Bank and other leading institutions mixed up in the affair. Moreover, after the fire-sale of Buderus and the mining interests, what remains of the group is a rag-bag of businesses in plant construction, trading, chemicals and financial services with unexciting growth prospects.

It is encouraging that these businesses made a modest operating profit in the first quarter of the current financial year, and that further recovery is expected. But these glimmers of hope are not enough to restore Metallgesellschaft to uncontroversial normality. The latest flurry of litigation between the company and its former managers will keep the murky events of the past at the forefront of investors' minds. For as long as this is the case, the shares are best left well alone.

Glaxo/Wellcome

Yesterday's results from Glaxo underscore why it needs Wellcome. The 10 per cent increase in pre-tax profits may look creditable, but top-line growth, at just 2 per cent, was unimpressive. Sales of Glaxo's three biggest products, inclnding Zantac, dropped. The results would have been worse if Glaxo had not attacked costs in a surprisingly aggressive manner: trading margins increased 2.5 percentage points thanks to lower costs for marketing and research and development. The pressure on Zantac can only increase. Hence Glaxo's need for Wellcome: cutting costs from two groups offers even greater scope for margin improvement and earnings growth.

All this means little for the takeover battle's outcome: that depends on Wellcome's ability to find a white knight. But locating a sufficiently large and solvent counter-bidder will prove tricky: hopes predicated on an overseas company could prove illusory because UK institutions are unlikely to accept shares from US or European bidders. In any case, Glaxo's ability to counter-bid could prove adequate deterrence. Its predicted gearing of 300 per cent presents little obstacle given the combined groups' cash-flow and interest cover. If Wellcome's advisers fail they should not be ashamed.

UK Brewers

British brewers are well inured to regulatory slings and arrows, but the latest announcement from the Office of Fair Trading caused a surprise blow. It suggests a second round in the late 1980s push by the government to sever relationships between brewers and pubs: that culminated in the Beer Orders, cutting the number of so-called tied houses. This time the OFT is investigating the vast differential between beer prices charged to free houses and those paid by tenants of brewery-owned pubs.

Large brewers are to be the focus of this investigation, but the net should be spread further. The big brewers may be charging tenant pub operators more for their beer, but this is partially off-set by preferential rent and other services. To evaluate beer wholesaling, the OFT must also look at regional pub operators. After all, the largest beneficiaries from the Beer Orders have been owners of new independent pub groups, which have swallowed the discounts offered by brewers. Consumers have missed out.

It is too early to evaluate the impact of this investigation, although yesterday's share price falls reflect the worst case scenario. The most significant concern must be that the inquiry postpones any further consolidation among UK brewers. Given 25 per cent over-capacity and falling beer sales, sucb delay could cause greater short-term concern than any regulator.

Warburg/Deutsche Bank

S.G. Warburg is drifting dangerously. Employee morale was shot to bits by last year's failed merger talks with Morgan Stanley. The bank has already closed its international bond operations. Yesterday's departure of its joint heads of equity capital markets weakens its international equities business. Warburg still clings to rhetoric that it is building a global investment bank, but it is becoming harder to convince staff that this is so. Warburg's loss is Deutsche Bank's gain. Two good recruits do not make a business. But if Deutsche can continue to poach high-quality staff, that is clearly cheaper than buying a whole bank.

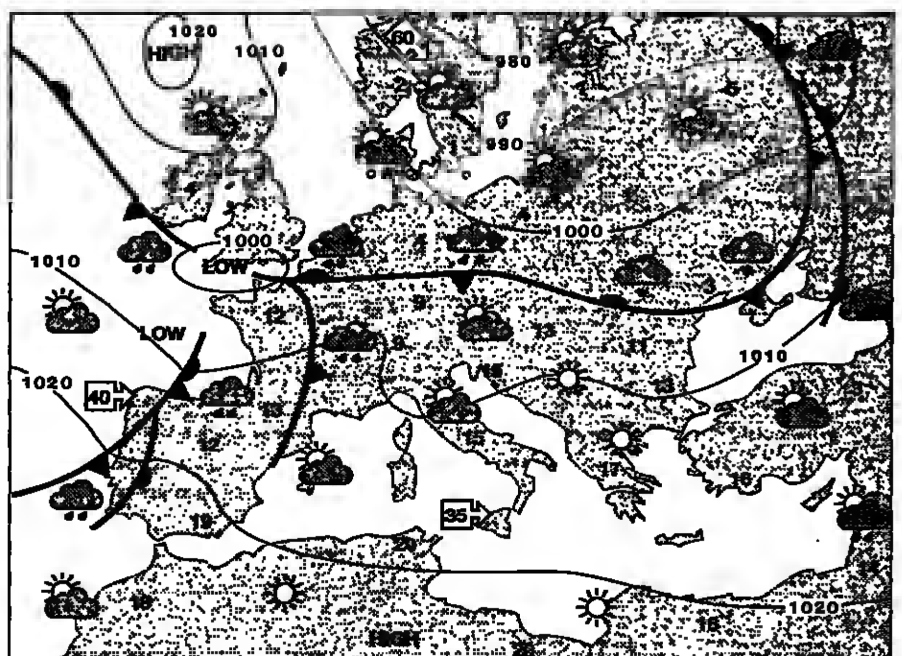
FT WEATHER GUIDE

Europe today

High pressure over Iceland will dominate conditions over the northern British Isles. Scotland will be bright with snow showers. A new low pressure system will develop over the Channel and move towards central Europe. The Low Countries, central and northern France and Germany will have a lot of rain which will turn to snow over higher ground. Another disturbance will bring rain to Portugal and northern Spain. A front will produce rain or snow from southern Poland to central Russia. The central Mediterranean and the Balkans will be sunny. A weakening low will bring cloud and occasional showers to the eastern Mediterranean.

Five-day forecast

Clearing skies will sweep across the North Sea and into central Europe bringing drier conditions. On Thursday, abundant snow is expected in the Alps as a cold front moves through the area. Cloud will thicken over the British Isles with rain arriving on Thursday. Meanwhile, a low pressure system will develop and move towards Italy and then Greece giving cloud and sun with scattered showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	26
Accra	fair	34
Algiers	fair	16
Amsterdam	rain	5
Athens	sun	18
Atlanta	fair	2
B. Aires	fair	26
B.ham	rain	5
Bangkok	sun	32
Barcelona	fair	15

Beijing	sun	6
Belfast	cloudy	4
Belgrade	sun	14
Berlin	cloudy	4
Bermuda	shower	22
Bogota	fair	23
Bombay	sun	32
Brussels	rain	8
Budapest	fair	13
C.hagen	sun	3
Cairo	fair	18
Cape Town	sun	26

Caracas	fair	30
Cardiff	rain	8
Casablanca	sun	18
Chicago	sun	-7
Cologne	rain	7
Dakar	sun	26
Dallas	sun	11
Delhi	sun	25
Dubai	fair	27
Dublin	cloudy	8
Dubrovnik	fair	15
Edinburgh	fair	2

Faro	shower	17
Frankfurt	rain	8
Geneva	cloudy	9
Gibraltar	fair	18
Glasgow	snow	2
Hamburg	fair	4
Helsinki	fair	-3
Hong Kong	fair	18
Honolulu	shower	27
Istanbul	sun	10
Jakarta	thund	30
Jersey	rain	13
Karachi	fair	30
Kuwait	sun	21
L. Angeles	fair	18
Las Palmas	sun	21
Lima	fair	27
Lisbon	rain	15
London	rain	6
Lux.bourg	rain	7
Lyon	fair	12
Madeira	fair	20

Madrid	cloudy	12
Majorca	cloudy	17
Malta	sun	17
Manchester	cloudy	5
Manila	fair	31
Melbourne	cloudy	20
Mexico City	sun	24
Miami	sun	22
Milan	sun	12
Montreal	snow	-14
Moscow	fair	-1
Munich	rain	8
Nairobi	fair	29
Naples	fair	15
Nassau	fair	25
New York	fair	-3
Nice	fair	14
Nicosia	fair	15
Oslo	sun	-1
Paris	rain	11
Perth	sun	34
Prague	rain	6

Rangoon	fair	32
Reykjavik	cloudy	-1
Rio	cloudy	30
Rome	fair	15
S. Frsco	cloudy	14
Seoul	fair	6
Singapore	cloudy	26
Stockholm	sun	-3
Strasbourg	rain	10
Sydney	fair	26
Tangier	fair	18
Tel Aviv	cloudy	14
Tokyo	fair	10
Toronto	snow	-7
Vancouver	sun	14
Venice	fair	11
Vienna	cloudy	13
Warsaw	cloudy	5
Washington	fair	1
Wellington	fair	24
Winnipeg	snow	-6
Zurich	fair	9

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 8 1995

IN BRIEF

Thorn closes UK electrical shops

Thorn EMI lifted pre-tax profits at the nine month stage to £343.7m ($540m). The company also announced the widely expected decision to leave the overcrowded and highly competitive UK electrical retail business with the closure of Rumbelows, where losses over the last three years had been running at £12m annually. Page 20

Air France to buy computer systems
Air France, the loss-making state-owned airline, said it had agreed to buy computer systems and programmes from Sabre Decision Technologies (SDT), a subsidiary of American Airlines. Page 16

Schering lifted by US drug sales
Schering, the German pharmaceuticals group, yesterday reported a 12 per cent rise in preliminary net profits for 1994, with sales for Betaseron, its multiple sclerosis drug, instrumental in lifting turnover. Page 16

IBM Germany returns to black
IBM Germany, the largest European subsidiary of the US-based computer group, climbed back into the black in 1994 following two years of cost cutting and restructuring, Mr Edmund Hug, chief executive, said yesterday after announcing the group's preliminary results. Page 16

Tenneco earnings advance
Tenneco, the diversified US industrial company, reported fourth-quarter earnings from continuing operations of $209m, or $1.14 a share, up from $137m, or 75 cents, in the comparable 1993 quarter. Page 17

Recovery continues at Sears Roebuck
Sears Roebuck, which is returning to its retail roots with the spin-off of its Allstate insurance business planned for the middle of this year, continued its retailing division recovery in 1994. Page 18

Israel gears up for telecoms issue
The Israeli government is expected to announce next week who will be the lead co-ordinator for the global offering of a 25 per cent stake in Bezeq, Israel's state telecommunications company. Page 19

France hopes to profit from steel rebound
The cyclical nature of the steel industry means the timing of France's privatisation of Usinor Sacilor is critical. Page 18

Canadian diamonds bring sparkle
Russia's rough gem diamond production is falling fast and by late next year stocks will be "relatively insignificant", suggests one analyst. But new mines likely to be developed in Canada will alleviate a serious diamond shortage. Page 21

NatWest plans UK branch restructuring
National Westminster Bank is to restructure its UK branch banking business, with the aim of making cost savings. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	857.5	+	7.5
Goldschmidt	822	+	17
Hochtief	830	+	10
Volkswgn Prf	318	+	6.5
Falls			
CKAG Col Koz	900	−	40
GEHE	540	−	8
NEW YORK ($)			
Rises			
Cytec	37⅝	+	1⅛
Time Warner	38⅞	+	1⅛
Falls			
Alld Signal	37¼	−	⅞
Columbia HCA	40⅞	−	2
Nat Smcndctr	16⅝	−	1⅛
PepsiCo	36⅞	−	⅞
LONDON (Pence)			
Rises			
Rathbone Bro	280	+	15
Tadpole Tech	219	+	12
Yorkshire A	794	+	20
Falls			
Base	520	−	29
Waste Mngmnt	345	−	62
Whitbread	536	−	28
TORONTO (C$)			
Rises			
Alt Adv Info	9½	+	⅛
Coral Corp	17¼	+	1
Extendicare A	11	+	½
Falls			
Malcor Dev	10	−	1
Potash Corp	50⅛	−	1⅛
Sceas Frst	14⅞	−	⅛

PARIS (FFr)			
Rises			
Accor	575	+	14
Canal Plus	804	+	17
Intertechnique	588	+	26
SLIC	709	+	28
Falls			
BIC	694	−	15
Eridania Gl	668	−	28
TOKYO (Yen)			
Rises			
Kyodo Shiryo	406	+	35
Mitsukoshi	935	+	29
Falls			
Aoki Corp	606	−	43
Koito Manf	701	−	86
Nip Saisan	440	−	22
Toyo Const	743	−	36
HONG KONG (HK$)			
Rises			
Hysan Dev	15.35	+	0.7
Swire Pac A	47.6	+	1.8
Wheelock	12.55	+	0.6
Falls			
Champion Tec	1.52	−	0.24
HK Macau Hld	5.75	−	0.5
Lam Soon HK	2.25	−	0.15
BANGKOK (Baht)			
Rises			
Klang Hsat	122	+	10
Siager	162	+	16
Unicord	6.7	+	0.6
Falls			
Dhana Siam	199	−	11
Laem Thng Bk	38	−	7
Nava Finance	71.5	−	79.5

New York and Toronto prices at 12.30pm.

Recovery reflects focus on core operations but airline plans to negotiate alliances

SAS profit of $201m is first in five years

By Hugh Carnegy in Stockholm

Scandinavian Airlines System, which less than two years ago searched in vain for merger partners to rescue it from losses, flew back into the black for the first time in five years in 1994, swinging to a pre-tax profit of SKr1.5bn ($201m) from a loss of SKr492m in 1993.

A programme of non-core asset sales and tough cost-cutting measures, coupled with an upturn in airline operations, have given SAS renewed strength little more than a year since the collapse of the Alcazar project, a plan it championed to merge with Austrian Airlines, KLM Royal Dutch Airlines and Swissair.

Instead, in a development that echoes the experience of Swedish vehicle maker Volvo since it scrapped a plan to merge with France's Renault, SAS bas quickly returned to profit as it pursues a stand-alone strategy based focnsing on core operations.

SAS, half-owned by the Danish, Norwegian and Swedish governments, says it intends this year to negotiate strategic cross-border alliances to complement and strengthen its Nordic-oriented route network. The most likely partners are Germany'e Lufthansa or an extension of the existing European Quality Alliance with Austrian and Swissair. But British Airways and US operators such as Delta and American Airlines may also figure.

"It is a huge dancing party at the moment," said Mr Peter Forssman, a senior SAS executive. "As it is not a question of our survival we don't feel pressed by time. Wa are not in real negotiations yet, but it is one of the major issues for 1995."

Preliminary figures released yesterday sbowed a significant turnround in 1994 after accumulated losses of SKr3.3bn in the previous four years. SAS said most of the improvement was accounted for by airline operations, not the hotel business which is now the only significant non-airline operation.

Turnover for both airline and hotel operations totalled SKr38.9bn, an increase of 7 per cent over 1993. Mr Forssman said the outlook for 1995 was very good.

SAS said the pre-tax result would have been greater but for a SKr600m increase in depreciation charges due to a change in accounting procedures. Restructuring charges also rose sharply to SKr1bn from SKr530m in 1993.

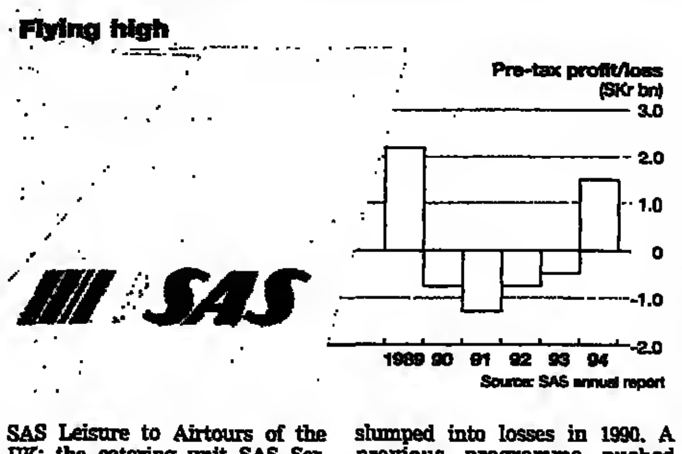
But SAS also benefited from favourable foreign exchange trends and a jump in capital gains to SKr850m from SKr556m. The latter reflected the sale during 1994 of SAS's travel group SAS Leisure to Airtours of the UK; the catering unit SAS Service Partner, sold to Swissair's catering division; and Diners Club Nordic, sold to Sweden's Skandinaviska Enskilda Banken.

Internally, much of the focus of 1994 was on driving through an ambitious programme to sbed 3,000 jobs and cut costs by SKr3bn adopted shortly after the collapse of the Alcazar project. Mr Forssman said two-thirds of the programme had been completed and the balance would be achieved by mid-1995.

The savings programme was the second carried out since SAS slumped into losses in 1990. A previous programme pushed through in 1991 and 1992 reduced staff by 3,500 and also cut SKr3bn in costs. SAS now has fewer than 20,000 airline employees, compared with 25,000 in 1991.

Despite the restructuring, SAS firmly intends to stay in the hotel management business. Last year it concluded an alliance with Radisson Hotels International of the US covering 30 botels in Europe, the Middle East and Asia with the intention of adding a further 60 botels to the network by the end of the decade.

Swissair cuts offer, Page 16



Metallgesellschaft edges into the black in first quarter

By Andrew Fisher in Frankfurt

Metallgesellschaft, the German industrial and trading company which was nearly bankrupted last year by US oil trading losses, has weathered its crisis and made a small profit in the first quarter, said Mr Kajo Neukirchen, chairman.

But he admitted that the operating profit of DM10m ($6.5m) in tha first three months was minimal. "It's nothing to die laughing about," he said. "We've kept Metallgesellschaft alive in smaller form. This is no reason for excitement."

He repeated his forecast that operating profits would be well over DM100m this financial year. Earnings from some long-term projects would come later in the year. Turnover would be around DM15bn, with asset sales and restructuring causing a reduction from DM20.5bn last year.

Mr Neukirchen said the first quarter result was better than expected. "The company is doing better than it has for years," he said.

The first quarter profit compared with an operating loss of DM1.5bn in the same period last year; pre-tax profits were DM14m against a DM1.4bn loss.

All activities, including plant construction and chemicals, were in profit, except for MG Corp, the US subsidiary which incurred the oil futures losses and has since been cut. The number of group employees is now 23,100 compared with 43,300 in September 1993. The target is 22,400.

To belp it survive, Metallgesellschaft sold subsidiaries, shareholdings and assets. Its debts fell to DM3.2bn in September, from DM7.4bn in December 1993. That was just after Mr Heinz Schimmelbusch, former chairman, had been dismissed.

The company and Mr Schimmelbusch are suing each other over the oil trading debacle, which cost Metallgesellschaft some DM4bn.

Banks, led by Deutsche Bank, agreed a DM3.4bn rescue package a year ago and are being asked for a further DM600m under a planned capital restructuring.

Mr Neukirchen was confident of agreement. "It's a balancing act and extremely complicated."

Lex, Page 14

Glaxo up 10% and looks to Japan for next move

By Daniel Green and David Wighton in London

Glaxo, Europe's biggest drugs company, yesterday reported interim pre-tax profits up 10 per cent on a year ago in spite of a 4 per cent fall in the sales of its best-selling drug Zantac.

It also published the offer document for the proposed £9.1bn ($14.2bn) takeover of Wellcome, its UK rival. This starts the bid's timetable under UK takeover rules: a rival should make a higher offer by February 28, when Wellcome Trust is committed to accepting tha Glaxo bid on behalf of its 39.5 per cent stake.

Sir Richard Sykes, Glaxo's chief executive, indicated that the company's next acquisition could be part of the half of Nippon Glaxo, its Japanese joint venture, that it does not own.

Sales for the six months to December 31, 1994 were 2 per cent higher at £2.85bn (£2.8bn), below the average world growth of pharmaceuticals sales.

Zantac sales fell for the first time, to £1.14bn (£1.2bn). Sir Richard blamed competition from cheap, unbranded, similar drugs and newer rivals, especially Losec made by Sweden's Astra.

Glaxo's newer drugs put in a stronger performance, especially its migraine drug Imigran and a new asthma drug Serevent.

The 10 per cent rise in pre-tax profits from £1bn to £1.1bn was helped by cost-cutting.

Earnings per share were 24.3p, only 4 per cent higher than last year's 23.4p, because of a higher tax charge. Without the disposal of Glaxo India's foods division, earnings per share would have grown by only 2 per cent. The interim dividend was 10p (9p).

The offer document includes a pro forma balance sheet for a combined Glaxo-Wellcome which shows net debt of just over £3bn. The shareholders' funds would be almost £1bn – after writing off goodwill of £4.5bn – to give gearing of more than 300 per cent. Pro forma interest cover would be seven times.

Glaxo estimates that its bid costs will be £77m, inclnding £30m in professional fees.

The £8.1bn banking facility Glaxo agreed with nine banks requires it to keep interest cover above three times.

The covenants also restrict Glaxo from making another acquisition for more than £400m. Glaxo said this was a formality which would not prevent it from further deals.

On future acquisitions, Sir Richard said taking control of Nippon Glaxo had "to be the way to go". Nippon Glaxo, 50 per cent owned by the Konishi family, has not matched the growth of the Japanese market. Glaxo signalled a change in strategy last month wben Mr Hiroshi Konishi resigned from tbe board to "devote all of his efforts" to the Japanese market.

The move could be expensive for Glaxo: the joint venture has annual sales of £315m, suggesting a value for the business of about £1bn, according to one analyst.


Sir Richard Sykes

Lex, Page 22; Loans, Page 32

Soft drinks strengthen PepsiCo at year end

By Richard Tomkins in New York

PepsiCo, the US snacks and soft drinks group, yesterday prodnced a strong end to a mixed year reporting a 16 per cent increase in net profits to $513.3m for tbe fourth quarter.

Its shares, however, sbed $⅜ to $37⅝ in early trading after the company warned that the devalnation of the Mexican peso wonld bave an nnfavourable impact on 1995 results. Mexico is PepsiCo's biggest market outside the US.

In the quarter just ended, sales rose 18 per cent to $9.12bn and earnings per share rose by 16 per cent to 64 cents. For the full year, net income rose 9 per cent to $1.77bn, reflecting the profits standstill that took investors by surprise in the second quarter.

Profits growth from the soft drinks division was one of the biggest factors driving tbe fourth quarter advance.

The company appeared to have succeeded in beating back the competition from private-label manufacturers tbat bit it earlier in tbe year, increasing operating profits by 17 per cent to $266.2m in the US and from $5.1m to $16.5m internationally.

The snack foods division performed strongly, with US operating profits rising 15 per cent to $326m and international operating profits rising by 10 per cent to $113.2m.

The restaurant division, however, continued its recent poor performance, registering flat operating profits of $220.4m in the US and falling from $23.2m to $17.6m internationally. The culprit was Pizza Hut; KFC (formerly Kentucky Fried Chicken) and Taco Bell both increased their contributions.

Last November PepsiCo tried to pnt its restaurant division back on the rails by giving Mr Roger Enrico, the group's vice-chairman, the job of sorting it out.

Mr Enrico, a respected PepsiCo executive credited with having engineered a turnround of the group's Frito-Lay snacks business, is widely seen as the likely successor to Mr Wayne Calloway, chairman and chief executive.

Mr Calloway said yesterday that he expected "a solid performance" from PepsiCo in 1995 – althongh the company warned that "significant uncertainties" remained about the impact of the peso's devalnation on the results.

Barry Riley

Why specialists are not always so special

British pension consultants are stepping up their campaign to persnada schame trustees to hire specialist investment managers rather than the all-embracing balanced institutions which have built up such a dominant share of the UK pension fund market.

But can they interest relnctant trustees in US-style structures? In these, up to a dozen specialist managers are given narrow investment briefs and are controlled within an overall tactical asset allocation framework which may be implemented through derivatives-based overlay techniques. Cynics say this is better for the consultants than it is for the pension funds.

Tim Gardener, head of asset planning at William M. Mercer, based his arguments at last week's major client conference on the cost of defined benefit schemes. They will not continue to be affordable unless fairly ambitious investment targets are achieved. But big balanced managers are adopting increasingly high risk strategies, involving 80 per cent-plus equity exposures, which may be steaming straight towards the looming rocks of the government's proposed minimum solvency standard.

At their rival Bacon & Woodrow, Colin Lever, the doyen of the consultancy business, has been celebrating 25 years of investment advice for pension funds. His biggest disappointment, he says, having pioneered performance measurement in 1970, is that fund management has become more, ratber than less, concentrated.

Whereas the US has hundreds of managers the UK is dominated by just fiva or six. Instead of encouraging new entrants and diversity, the consultants have created monsters.

Colin Lever is surprised by this, but perhaps he should not be. Concentration of business amongst the best contenders is a feature of any open, competitive market. Diversity is fostered by imperfect competition and poor information: an example would be the retail life assurance sector in the UK.

> Fund management has become more, rather than less, concentrated

The danger for pension funds may be that competition has been focused too much on crude performance and has not taken enough account of risks.

Certainly the competition remains intense, as was shown on Monday by Henderson Administration's warning of lower profits following losses of pension clients. In 1989 Henderson was the ninth biggest external manager but today it may be 17th or worse.

In 1994, a difficult year for the markets, only PDFM and Morgan Grenfell clearly beat the industry's median rate of return, *minus* 5 per cent. Mercury Asset Management and Schroders may have straddled the median, according to Bacon & Woodrow.

But the latest ebooting star, Newton, had a bad year. Various other recovery candidates and league table hopefuls, including Baring, Gartmore, Fleming, Prudential and, of course, Henderson, all had their hopes dashed.

In the five-year performance table, PDFM stands out. By virtue of earlier good returns Gartmore, Schroders and Newton also feature well. MAM, the industry leader, has effectively broken itself into several different teams and its performance is hard to pin down. But it seems to have enjoyed a good year for new mandates in 1994.

The consultants' main achievement so far is to shift the benchmarks for performance away from median-related to index-related targets. From there it is easier to introduce specialist managers. But the business has mostly stayed with the same handful of big firms, who have simply turned up in a new specialist guise. Consultants argue that specialist managers are better because they focus their resources better. But more has to be spent on another layer of asset allocation and monitoring.

The evidence is mixed. A study by one of the big two performance measurers, WM, suggested that the specialist route failed to produce better performance. Mercer now disputes this conclusion on technical grounds. A yet-to-be-published report by the second measurer, Caps, owned by the consultancy firms, is said to favour specialists.

So tha debate continues. Its renewed intensity can be traced to the fall in investment returns, averaging 9.5 per cent annually in the first balf of the 1990s against 19.3 per cent in the 1980s. The search for added value is on.

Schering lifted by US sales of Betaseron drug

By Judy Dempsey in Berlin

Schering, the German pharmaceuticals group, yesterday reported a 12 per cent rise in preliminary net profits for 1994, with sales for Betaseron, its multiple sclerosis drug, instrumental in lifting turnover.

Compared with 1993, group net profit last year increased by DM31m to DM285m ($190m), while group sales rose DM510m to DM4.7bn. However, group domestic sales, affected by Germany's health reforms, showed only a slight rise, increasing DM4m to DM699m over the same period.

Sluggish domestic growth was offset by foreign sales, which soared by DM506m to DM4bn. Exports account for 85 per cent of the group's overall turnover, with Japan remaining Schering's largest market. Turnover for Nihon, its Japanese subsidiary, rose to DM950m last year from DM925m in 1993, while turnover at Berlex, Schering's US subsidiary, rose 80 per cent to DM740m over the same period.

The engine behind continued growth in exports, particularly the US market, is the Betaseron drug, which last year was Schering's fourth best selling product. Total sales of the drug in 1994 amounted to DM300m. Betaseron, licenced in the US and facing little competition, is expected soon to be approved by health authorities in Europe.

The company said the London-based European Medicine Evaluation Agency, which is responsible for recommending medical licences, would make a decision later this year, followed by the health authorities of the individual European Union countries.

The rise in profits is linked to Schering's cost-cutting programme and its decision to hive off its non-pharmaceutical divisions in 1993 in a bid to concentrate on the core pharmaceuticals sector.

However, consolidated results in AgrEvo, the group's agrochemical division, which is jointly owned by Hoechst, the chemical group, fell in the last quarter as a result of restructuring costs.

Air France in computer deal

By John Ridding in Paris

Air France, the loss-making state-owned airline, said yesterday it had agreed to buy computer systems and programmes from Sabre Decision Technologies (SDT), a subsidiary of American Airlines.

The systems are designed to increase the efficiency of scheduling and yield management.

The deal, for an undisclosed sum, represents the latest step in the airline's efforts to raise productivity and efficiency and to curb losses. It marks a further step in co-operation with American Airlines, a potential partner for the French carrier in transatlantic services.

Air France has said it is discussing possible partnerships with several US carriers, including American. It is in discussions with Asian carriers with the aim of forming a triangular continental alliance.

Air France said the deal with SDT would provide it with the systems and software necessary to optimise revenues per aircraft and to better co-ordinate the utilisation of the fleet.

Last year, Air France recorded an average occupancy rate on its airliners of 73 per cent, compared with 68 per cent in 1993. However, the level of receipts per passenger per kilometre, one of the principal measures of performance in the airline industry, is thought to have declined in 1993 and 1994.

Mr Christian Blanc, who took over as chairman in autumn 1993 following a bitter strike, is implementing a restructuring package aimed at raising productivity by 30 per cent by 1997. The plan, which includes a pay freeze and changes in working practice, has drawn resistance from some of the company's employees. Yesterday, cabin staff held a one-day strike in protest at the productivity measures and complained of chronic under-staffing.

The French carrier said the SDT deal would not threaten its adherence to Amadeus, the European airline reservation system. Amadeus is a rival to Sabre, a US system which is used by American Airlines.

Orkla sells half of stake in Helly

By Karen Fossli in Oslo

Orkla, the Norwegian group with interests ranging from branded consumer goods to chemical processing, yesterday said it had disposed of half its shareholding in Helly-Hansen, which manufactures leisure, sports and survival clothing, for NKr125m ($18.6m) to book a gain of NKr67m.

The announcement had been widely expected since Orkla said in January it was considering disposal. The buyer is Resource Group International (RGI), a Seattle-based Norwegian-owned group which is a large shareholder in Gresvig, a Norwegian sports and leisure store chain.

Orkla said it would work with RGI to develop Helly-Hansen as an international branded goods company. A stock exchange listing may be considered. Helly-Hansen will continue to operate on an independent commercial basis in relation to customers and suppliers and Mr Olaf Eie, executive vice-president of Orkla, will continue as chairman.

Helly-Hansen had a book value in 1993 of NKr135m and achieved sales in that year of NKr823m and an operating profit of NKr28m. The company has production facilities in Norway and Portugal and contracts in east Asia.

IBM unit in Germany returns to black

By Judy Dempsey

IBM Germany, the largest European subsidiary of the US-based computer group, climbed back into the black in 1994 following two years of cost cutting and restructuring, Mr Edmund Hug, chief executive, said yesterday after announcing the group's preliminary results.

Net profits for the computer and electronics group totalled DM900m ($588m), after a loss of DM582m the previous year.

It is the first time since 1991 that it has reported profits. "We now have a clean balance sheet," said Mr Hug.

Sales for 1994 rose 3 per cent to DM12bn, with growth shifting away from IBM's traditional role as a hardware supplier towards the services sector, where sales rose 66 per cent.

Domestic sales increased 4 per cent to DM9.3bn, with a fall of 3 per cent in the leasing sector, partly due to the recession, said Mr Hug.

Exports totalled DM3.6bn with little change on the previous year.

Exports consist largely of deliveries by IBM's German enterprises to its European affiliates, as well as services provided by its research laboratory at Böblingen, in Baden-Württemberg.

Since 1992, the parent company has extended financial support to the German operations, which recorded losses of DM443m in that year and further losses of DM582m the following year.

Cooper finalises Lipha disposal

Cooper, the French pharmaceuticals company, yesterday said it had finalised the sale of its 43.5 per cent stake in pharmaceuticals company Lipha to the majority shareholder, E. Merck, the German drugs group, writes John Ridding in Paris.

Cooper, a division of Rhône-Poulenc, the French group, declined to comment on the amount of the transaction.

Toyota's speedy adaption pays off

Interim results likely to show strong recovery, says Michiyo Nakamoto

Toyota, Japan's largest carmaker, is known as a company that can squeeze the last drop from a dry cloth.

This reputation is expected to be confirmed this week when it announces interim results for the six months to the end of December 1994. Most analysts expect the group to post a strong recovery in profits in the first half, largely because of cost cutting.

Mr Andrew Blair-Smith, industry analyst at BZW Securities in Tokyo, says operating profits could increase more than sevenfold to more than Y70bn ($705m) from Y9.3bn in the first half of 1993. He is looking for an improvement in recurring profits (before tax and extraordinary items) to Y140bn from Y83bn.

The expected turnround at Toyota, which suffered a 25 per cent decline in parent recurring profits to Y214bn in the full year to last June, is also due to the recovery in the Japanese domestic market.

Last June, unit sales in the Japanese market were up year-on-year for the first time in 15 months. As demand for passenger cars picked up in Japan, Toyota saw vehicle registrations rise continuously from July to November, with a moderate 0.4 per cent fall in December.

Toyota was able to benefit from the recovery because of its strong range of cars at attractive prices. Last year, it remodelled several of its more important models when its chief competitor, Nissan, was short of new product, notes Mr Blair-Smith.

The RAV4, Toyota's recreational vehicle launched in May, for example, has combined youthful styling and a basic price of Y1.6m to make it a marketing success.

The group was able to launch the RAV4, as well as a succession of remodelled cars, at low prices largely because of the speed with which it got to grips with the changing market environment in Japan.

The company was quicker than most Japanese car makers in sensing the changes in the domestic market which went from the free-spending late 1980s into a recession.

While most companies were counting on a speedy recovery, Toyota was busy cutting costs.

By last year, it had reduced the range of parts it uses in its cars by about 30 per cent and model variations by about 25 per cent. In fiscal 1994 alone, Toyota was able to save $1.5bn through such cost-cutting measures.

It has been shifting production overseas to combat the sharp appreciation of the yen.

This year, it expects locally-produced vehicles in North America to outnumber imports for the first time since it began shipping cars to the US in 1957.

In Europe, the company has suffered in line with other Japanese manufacturers, from weak markets and the high yen.

Nevertheless, barring further strengthening of the yen, analysts are optimistic that demand will recover to improve the outlook in western markets.

The main problem is Toyota's low productivity in Japan. With the capacity Toyota has built up in the domestic market "they can produce far more cars than they do now", points out Mr Matthew Ruddick, industry analyst at James Capel in Tokyo.

Mr Ruddick says capacity is about 4.4m units. Given that production in 1994 was just over 3.35m units, "they are a long way" from what they can produce, he says.

Operating profit margins have fallen from a peak of 6.7 per cent for the parent company in 1990 to a 0.9 per cent in the year to June 1994.

Mr Ruddick expects an improvement in margins as a result of Toyota's continuing cost-cutting, possibly to as much as 3 per cent by March 1996. (Toyota is this year changing its year-end to March.)

Another option open to Toyota would be to bring in-house some of the production sourced to group companies, such as Hino, the truck maker, and Daihatsu, which specialises in small and commercial vehicles.

However, like most large, blue-chip Japanese companies, Toyota would be reluctant to damage relationships with its group companies by taking too much of their business away from them.

Neither would it be likely to close plants and lay off workers to raise productivity. But unless some measure is taken, profits are not going to return to peak levels seen in the late 1980s, Mr Ruddick notes.

Toyota, for its part, is counting on a large increase in sales worldwide to help lift profitability. It is aiming to raise worldwide vehicle sales to 6m units by the end of the decade, from 4.4m in fiscal 1994. To that end its has expressed interest in markets such as China and India.

Far from triggering a retreat, overcapacity and the maturing of the Japanese market have refuelled its overseas ambitions.

Swissair to cut offer for stake in Sabena

By Emma Tucker in Brussels

Swissair said yesterday it had prepared a lower offer for a stake in Sabena, the state-owned Belgian airline, because of Sabena's failure to reduce its costs by relocating pilots to neighbouring Luxembourg to reduce costs.

The Swiss airline, eager to enter the European Union's deregulated aviation market, had been considering a 49 per cent stake in the loss-making Sabena. But a new offer, to be presented to the Belgian government over the next few days, will be lower, reflecting Swissair's concerns over Sabena's apparent difficulty in cutting costs.

Mr Pierre Godfroid, Sabena's chief executive, came up with a bold plan to move 480 pilots to Luxembourg to take advantage of the Grand Duchy's lighter social security regime.

However, the plan was criticised by the Belgian government and Mr Jean-Luc Dehaene, the Belgian prime minister, said he would only accept the move if part of a wider economic plan. Luxair, the Luxembourg airline with which Sabena hoped to form an alliance, opposed the deal.

Mr Godfroid has to find other ways of reducing costs. Yesterday Swissair said: "Given the situation, we would have to account for significantly higher costs for the pilots."

Anheuser-Busch rises 5% in fourth quarter

By Richard Tomkins in New York

Anheuser-Busch, the biggest US brewer, ended another year of sluggish growth by reporting a 5 per cent increase in net income to $175.7m for its fourth quarter yesterday.

Sales rose by less than 4 per cent to $2.96bn, but earnings per share rose by nearly 10 per cent to 68 cents from 62 cents because of the company's aggressive share repurchasing programme.

The fourth quarter's modest increase in profits reflected the performance for the full year, in which total net income rose 5 per cent to $1bn excluding the effect of restructuring costs and special charges in 1993.

Anheuser-Busch has suffered a long period of lacklustre volume growth and indifferent results caused by declining sales of Budweiser, its leading brand, and widespread discounting by competing brewers.

Yesterday, the company said the improvement was due to increased beer volumes, improved product mix and cost cutting.

The volume of beer sold rose 1.4 per cent to a record 88.5m barrels, Anheuser-Busch said. It saw an improvement in sales mix towards its premium beers, spurred by the introduction of Bud Ice and the strong performance of Bud Light.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.02.95 Pool purchase price £/MWh	Final Prices for Trading on 21.01.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.55	10.05	10.05
0100	8.73	28.56	32.27
0130	8.76	43.37	47.08
0200	8.76	43.37	47.08
0230	8.74	43.37	47.08
0300	8.73	43.37	47.08
0330	8.73	43.37	47.08
0400	8.70	28.56	32.26
0430	8.65	10.01	10.01
0500	8.20	9.91	9.91
0530	8.71	10.01	10.01
0600	8.70	9.91	9.91
0630	8.70	10.01	10.01
0700	8.80	29.86	33.71
0730	9.61	38.18	42.11
0800	9.67	38.58	41.82
0830	9.77	57.32	63.30
0900	10.23	63.40	70.76
0930	10.64	101.15	105.92
1000	10.90	101.83	108.73
1030	14.65	52.29	58.64
1100	10.61	51.34	58.53
1130	10.64	51.48	58.71
1200	10.88	52.57	60.08
1230	10.60	45.05	51.97
1300	10.24	41.73	47.94
1330	9.96	37.68	42.86
1400	9.89	36.73	41.70
1430	9.85	37.11	42.19
1500	9.84	38.36	44.02
1530	9.92	47.80	53.39
1600	10.18	107.89	131.61
1630	16.53	300.22	365.46
1700	34.77	550.24	642.72
1730	65.63	506.26	590.85
1800	100.86	463.23	530.93
1830	92.38	214.86	251.52
1900	60.79	108.22	127.16
1930	26.92	67.86	78.83
2000	18.22	48.80	55.72
2030	10.01	39.09	43.40
2100	9.59	31.73	35.66
2130	9.02	31.13	34.91
2200	8.86	29.09	33.70
2230	8.80	29.90	33.83
2300	8.71	29.47	33.17
2330	8.89	24.49	28.19
2400	8.88	10.06	15.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] ©Energy Settlements and Information Services Limited

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INT'NAT'L COMPANIES AND FINANCE

WMX Technologies to buy back Rust shares

By Laurie Morse in Chicago

WMX Technologies, the international waste handling company, said it would further consolidate its broad-based operations by buying back the 3m shares of its Rust International engineering subsidiary owned by the public.

The disposal company, formerly known as Waste Management, last month bought back outstanding shares of its toxic waste handling operations, Chemical Waste Management. With the repurchase of the Rust International shares, only three companies – WMX Technologies, Waste Management International and Wheelabrator Technologies – will continue to have shares that are publicly held.

WMX plans to buy back the Rust shares at $14 each, 20 per cent above Monday's closing price on the New York Stock Exchange. That price and the buy-back plan is subject to review by an independent committee of Rust shareholders.

For the fourth quarter, WMX posted net income of $205m, or 42 cents a share, on revenues of $2.7bn, against $162m, or 34 cents, on revenues of $2.4bn in the same quarter of 1993.

For the year the company reported net income of $784m, or $1.62, up from $453m, or 93 cents, in 1993. Revenue in 1994 rose to $10bn, from $9.1bn the previous year.

● Shares in Waste Management International, the UK quoted arm of WMX Technologies, fell 25p to 382p in London yesterday after the group warned shareholders not to expect more than 5 per cent growth in earnings this year, writes David Blackwell.

Pre-tax profits last year increased to £165.2m ($257.7m) from £150.9m. Turnover rose by more than 18 per cent to £1.1bn, helped by a strong performance at two new facilities in Hong Kong.

Earnings per share grew from 26.5p to 27.8p. Pre-tax profits for the fourth quarter eased to £39.8m from £40.5m on sales of £283.9m, up from a previous £250.6m.

Tenneco earnings advance to $209m in fourth quarter

By Laurie Morse

Tenneco, the diversified US industrial company, reported fourth-quarter earnings from continuing operations of $209m, or $1.14 a share, up from $137m, or 75 cents, in the comparable 1993 quarter.

During the period Tenneco declared its UK-based Albright and Wilson chemicals subsidiary a discontinued operation.

Similarly, for the last month of the quarter, revenues from Tenneco's 29 per cent ownership in J. I. Case, the heavy equipment manufacturer, were reported separately.

As a result, Tenneco's fourth-quarter revenues dipped to $2.8bn, from $3.1bn the previous year, when all of J. I. Case's revenues were attributed to the corporation.

In an effort to concentrate solely on its packaging, natural gas and automotive parts businesses, Tenneco previously announced plans to spin off Albright and Wilson in a public offering underwritten in the UK.

In the results released yesterday, Tenneco said preparations for that offering including provisions for environmental reserves, generated about $25m in expenses in the fourth quarter, giving Albright and Wilson a net loss of $2m.

Additionally, Tenneco said that anticipated pre-tax income from the Albright and Wilson offering would be more than offset by taxes on the transaction, which would lead Tenneco to claim a $66m net loss to discontinued operations in the fourth quarter.

For the full year Tenneco's earnings from continuing operations were $641m, or $3.49 a share, on revenues of $12.1bn, compared with 1993's comparable earnings of $412m, or $2.36.

J. I. Case separately reported that after substantial restructuring, its European operations returned to profitability in the fourth quarter.

The company said worldwide net income rose to $46m, or 63 cents a share, in the quarter on revenues of $1.1bn, up from net income of $21m, or a pro forma 27 cents, on revenues of $1.0bn in the same 1993 quarter.

Tenneco spun off 71 per cent of Case in public offerings during 1994.

NEC and HP in joint venture

By Louise Kehoe in San Francisco

NEC and Hewlett-Packard, two of the world's largest computer companies, have agreed to develop jointly and manufacture a new generation of high-performance data-centre "mainframe alternative" computers.

The joint effort will draw on NEC's expertise in traditional mainframe computers and HP's open-systems Unix software and reduced instruction set computing (Risc) technology.

The alliance could boost HP's sales of high-end computers in Japan and give NEC a way into the fast growing market for high-performance open systems computers, sometimes called "mainframe alternative" computers.

Mr Willem Roelandts, HP senior vice-president, said: "This announcement signals the beginning of major enhancements for open, mainframe-class computers."

HP is the world's leading supplier of open-systems computers which adhere to industry standards so that they are compatible with computers from other manufacturers. The US company has pioneered the use of Risc microprocessors in large-scale business computers.

NEC is one of Japan's leading computer companies with a broad range of products, from personal computers to supercomputers. It has largely focused on proprietary software although it also sells low and mid-range open-systems servers. NEC holds a stake in Groupe Bull, the French computer company which is a proponent of open systems.

Details of the development and manufacturing pact are still under discussion, HP said.

However, as a first step in the new partnership NEC has agreed to purchase several hundred of HP's current generation of HP 9000 high-end open systems servers for resale in Japan.

"The large Unix-server market in Japan is about to explode," said Mr Masao Toka, NEC senior vice-president. "This alliance allows us to meet immediate customers' needs and to be at the forefront of developing Unix servers by integrating HP's open-system technology with NEC's large computer technology."

Under the agreement, NEC plans to resell HP computers valued at more than $100m over the next three years.

CPC Int'l held back by charge

By Richard Tomkins in New York

CPC International, the US food company that makes Hellman's mayonnaise, Knorr soups and Mazola corn oil, increased net profits by 9 per cent to $136.5m, or 90 cents a share, in the fourth quarter, but ended the year with profits 24 per cent down at $345.1m because of a big restructuring charge in the second quarter.

Without the charge, CPC said full-year earnings per share would have risen by 7.5 per cent to $3.17.

CPC had warned that difficult economic conditions in Brazil and a two-month stretch of weak volumes in Best Foods, its North American food operation, would lead to lower-than-expected earnings for the year.

Yesterday CPC said consumer foods had increased sales by 16 per cent to $1.7bn in the fourth quarter, while operating profits rose by 11.6 per cent to $218.8m.

Mutual groups to form $37bn fund

By Maggie Urry in New York

Two mutual fund groups are planning to merge to form the fifth largest no-load company in the US, with $37bn under management. No-load funds make no sales charges.

Twentieth Century, a Kansas City-based group specialising in equity funds, is to buy Benham Management International, a fixed income fund specialist based in California. Both groups are privately owned and no price for the deal was given.

The merger reflects a view that smaller specialist fund management groups will not survive. For instance, if the equity market turns down, an outflow of funds can hit a specialist equity fund management group. Larger firms offering a range of investments can retain investors' money as they switch from one type of fund to another.

The deal will be effected through the purchase of Benham by Twentieth Century for cash and shares. The Benham family will end up with about 9 per cent of the group's shares. The Stowers family, which founded Twentieth Century, will have about two-thirds of the total.

The two companies have a total of 2m investors. The combined group will have more than 60 funds offering a wider range of investments than either company could alone. Integration of is expected in September 1996 and a name change will be considered.

Mr James Stowers, president of Twentieth Century, said there was little overlap between the two groups' funds although both had a money market fund.

He said there were no job cuts planned as a result of the deal, as substantial growth is expected in the next few years, with a target of $80bn to $100bn under management by 2000.

Benham's operation is to remain in California. Mr Benham is to be vice-president of the group and will continue to run the Benham business.

SBC Comms in $316m Chile deal

SBC Communications, the Texas-based Baby Bell telephone company, yesterday bought a 40 per cent equity stake in VTR Inversiones, a privately-owned telecommunications holding company in Chile, for $316.6m, AP-DJ reports from San Antonio.

SBC already owns about 10 per cent of Teléfonos de Mexico (Telmex), Mexico's national telephone company, through a controlling consortium with Grupo Caso and France Telecom. Mr Edward Whitacre, SBC chairman and chief executive, said the two investments gave "a platform from which we can pursue other opportunities".

VTR Inversiones, which provides long distance, local and cellular telephone service and cable television, is controlled by Grupo Luksic, a Chilean conglomerate with interests in telecomms, brewing, banking, mining and agriculture.

It has an 8 per cent share of the Chilean domestic long-distance market and a 21 per cent share of international long distance.

Chile's long-distance telephone business is modest in world terms, with only 11.4 lines per 100 people, compared with 50 lines per 100 in the US. However, the Latin American average is nine and the market is regarded as a testing ground for Mexico's $3bn long-distance market, once Telmex's concession expires in 1996.

VTR's VTR Telecable unit operates in 18 cities and has a potential customer base of 1.3m households, Southwestern Bell said.

VTR's cellular subsidiary holds one of two licences to serve all of Chile outside of Santiago, and its local exchange companies serve a region with a total population of one million, Southwestern Bell said.

A portion of the SBC Communications investment will be used to fund the expansion of VTR's cellular and cable networks.

Retail recovery continues at Sears Roebuck

By Maggie Urry in New York

Sears Roebuck, which is returning to its retail roots with the spin-off of its Allstate insurance business planned for the middle of this year, continued its retailing division recovery in 1994.

Group net income in the fourth quarter was $685m, or $1.74 a share, compared with $545m, or $1.39, in the same period a year earlier.

For the full year, net income was $1.45bn, or $2.12bn excluding one-off items, compared with an underlying $1.69bn in 1993. Earnings per share were $3.66, or $5.38 excluding the non-recurring items, compared with $4.33 last time.

Mr Edward Brennan, chairman and chief executive, said: "The fundamental operating performance of Sears Merchandise group and Allstate continues to be strong, which positions them well going forward as two separate entities."

The retail division "turned in its best income performance since 1984," he added.

Net income increased 18.4 per cent to $890m for 1994, with a gain in the fourth quarter of 17.5 per cent to $365m.

Comparable store sales rose 8.3 per cent in 1994 as the chain continued to increase market share. Lower expenses and a lower provision for bad debts on credit sales improved profits.

The international retailing business was hit, though, by lower results from Mexico partly due to the devaluation of the peso in December.

For the year the international business lost $7m, compared with net income of $8m in 1993, and earned $6m in the fourth quarter, compared with $19m.

Allstate net falls sharply after quake

By Richard Waters in New York

Allstate, the insurer which is due to be spun off by Sears later this year, reported a sharp drop in net income for 1994 as a result of the Northridge earthquake.

Before tax, catastrophe losses cost the company just under $2bn last year, or $975m post-tax after the release of $81m of earlier catastrophe reserves.

These losses led Allstate to report a combined loss ratio (the proportion of premiums it pays out in claims) of just under 111, up from 103 in 1993.

The Northridge disaster overshadowed what otherwise would have been an improved year in the company's property/casualty business.

A better claims record from car and truck insurance, higher investment income and lower costs resulted in net income for the year of $312m, compared with $1.19bn in 1993.

Allstate's life insurance business benefitted from higher sales of annuities and cost-cutting, offset in part by a $10m increase in capital losses. Income from this business rose to $211m, from $163m in 1993.

Overall, the biggest publicly-llated property/casnalty insurer in the US reported net income of $484m, or $1.08 e share, down from $1.38bn, or $2.99, in 1993.

Fourth-quarter net income was $163m, or 37 cents a share, compared with $259m, or 57 cents, a year ago.

The most recent quarter also included a $100m after-tax charge to cover the costs of an early retirement programme which the company said would lead to savings of a year.

Sears plans to sell its 80.2 per cent stake in Allstate by the middle of this year.

France forges ahead with Usinor Sacilor sell-off

The steel group has been restructured but the privatisation remains complex, says John Ridding

In launching the privatisation of Usinor Sacilor, Europe's biggest steel group, the French government has decided to strike while the iron is hot. The cyclical nature of the industry means the timing is critical, and with the world steel market rebounding from the dark years of 1992-93, France is aiming to capitalise on the upswing.

As Mr Francis Mer, chairman, put it at the end of last month: "If you want to privatise in the best conditions, don't wait for the results of Usinor Sacilor to be even better." He was speaking before Monday's invitation for applications for adviser banks, the first step towards s privatisation expected this summer.

Mr Mer was also referring to today's announcemant of results for last year, which will show a return to profit after a staggering loss of FFr5.7bn ($1.07bn) in 1993.

His comments betray his eagerness to take Usinor out of the public sector. While he argues that the company is managed like its private sector rivals, he emphasises the limits of public ownership.

"The state can no longer be a good shareholder," he said in a recent interview. "It does not have the money for industry."

But if privatisation is vital to provide Usinor Sacilor with access to financial markets and the funds for development, it is also a critical operation for its shareholder. The centre-right government of Mr Edouard Balladur, the prime minister, has eet itself e target of FFr55bn this year from privatisation proceeds, funds which are necessary to achieve its goal of cutting the public sector budget deficit to FFr275bn from FFr301bn last year.

The sale of Usinor Sacilor, which Mr Mer values at more than FFr20bn, would mark an important step towards this target and demonstrate the government's determination to maintain momentum in its programme to sell 21 groups.

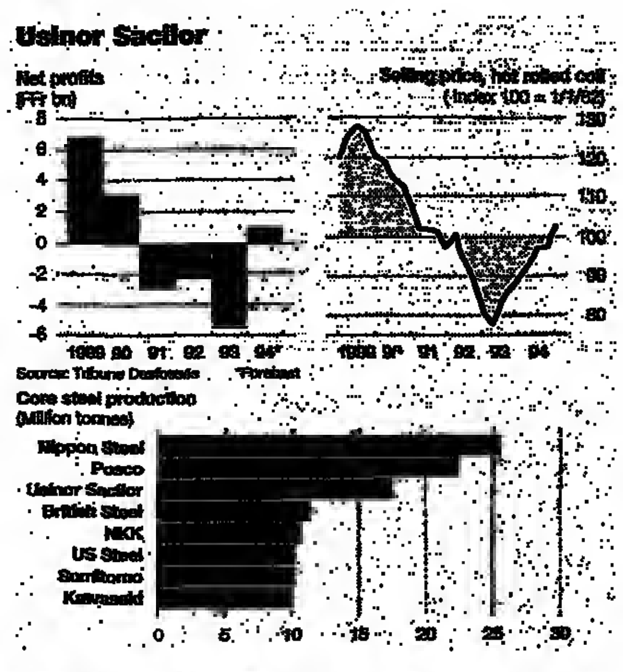
The complexities of the operation, however, are as significant as the stakes.

The sale is likely to face opposition from trade unions, which are hostile to the privatisation programme. The financial aspects of the operation are similarly sensitive.

The sharp rebound in profits last year is a reminder of the volatility of the steel industry, a fact which makes the company difficult to value and which is likely to make potential investors wary.

"The swings in prices and in demand from the peak to the trough of the cycle mean that steel makers face a variation in revenues of about 40 per cent," says Mr Martin Doble, director of Beddows & Co, a steel industry consultancy. "It makes it very hard to value steel companies."

Usinor's privatisation will also need to overcome negative perceptions of the sector. "For many people steel spells crisis," says one industry executive. "It brings images of plant closures and subsidy battles. The government will need to get a more positive message across."



It will be helped by the progress achieved by Mr Mer since he took the helm of Usinor Sacilor in 1986. A spate of acquisitions in the late 1980s, including that of Jonea & Laughlin, the second-biggest US atainless steel maker, pushed the group to the top of the industry. In terms of annual production, it ranks only behind Nippon Steel of Japan and Posco of South Korea.

More recently, the emphasis has been on restructuring to improve efficiency. The headcount has been redneced sharply, from 95,750 in 1989 to about 62,000, while productivity has risen steadily. On average, it now takes less than three man hours to produce a ton of steel at Usinor, compared with 5.1 man hours in 1986.

"They have made very good progress," says Mr Doble at Beddows & Co. He cites several strong points at Usinor Sacilor, ranging from its dominant position as the supplier of flat rolled steel to the European car and truck industry, to its Ugine division, Europe's largest stainless steel producer.

But significant weak points remain. Certain business areas – notably the long products businesses, which inclnde wires and steels for engineered products – have been badly hit by overcapacity and competition from imports.

Usinor is also labouring under a burden of debt, the result of its earlier acquisition spree. Disposals and the flotation of Ugine last year have helped rednce debts to less than FFr20bn, compared with FFr25bn in 1993. But they remain within touching distance of shareholders' funds of FFr21bn.

More broadly, the problems of import competition and overcapacity which have plagued the industry still pose a threat. Mr Mer believes the reduction of about 15m tonnes in capacity in the European Union is sufficient given the rise in demand. The next downturn in the industry cycle, however, will again pose the problems of capacity in western Europe. More serious is the threat of imports from eastern Europe, Russia and Ukraine.

This problem is a matter for the European policy makers rather than Usinor Sacilor. But the other challenges of privatisation will determine the mechanics and timing of the sale.

Whila Mr Mer plays down the threat of disruption from trada union opponents, the sensitivity of the issue is likely to rule out e sale before the spring presidential elections.

The government seems prepared to opt for a full privatisation, rather than holding 51 per cent of the shares, as it did with Renault, the vehicles group. It will, however, ensure the establishment of a *noyau dur*, a core group of stable shareholders designed to protect the company from predators.

Crédit Lyonnais, the state-owned bank which retains the 20 per cent of the shares in Usinor which are not directly held by the government, may form part of this group. Along with S.G. Warburg of the UK it was yesterday appointed as adviser to Usinor. The state-owned bank is, however, set to cut its stake to raise funds to support its fragile balance sheet.

To bolster Usinor'a balance sheet and to fund an expected expansion in international markets, a capital increase to coincide with privatisation appears probable.

The government declines to comment on its intentions; "We have just started the process to appoint adviser banks," said one official.

"After more than 10 years in the public sector it is not a question of rushing the issue through."

But if the bold step in pushing Usinor to the front of the privatisation queue is a guide, the next steps are unlikely to linger.

Three USAir unions offer labour concessions plan

By Richard Tomkins in New York

USAir, the heavily lossmaking US carrier in which British Airways holds e minority stake, announced that three of its main trade unions had jointly submitted a plan under which they would offer labour concessions as part of a scheme to turn the airline around.

The company refused to discuss the contents of the plan, but it seems likely that it mirrors other US airline agreements in which employees have traded wage cnts for equity stakes and representation on their boards.

USAir has been trying for 10 months to win e cost-cutting agreement with its unions.

It says it needs to cut costs by $1bn a year if it is to compete with other airlines.

The plan is significant because earlier talks with unions have stalled on the issue of how the labour concessions should be spread between the different employee groups.

DLJ hires team for move into emerging markets

By Lisa Branston in New York

Donaldson, Lufkin & Jenrette, the US securities house, is taking its first step into emerging markets finance by hiring four senior bankers from Bankers Trust to run a newly-formed Latin American bnsiness group.

Although turmoil in emerging markets has caused big losses for some banks, DLJ said it saw recent events as an opportunity rather than a deterrent.

Mr Neil Allen, former managing director and head of Latin American business at Banker's Trust, will run the new group for DLJ.

Three other Bankers Trust managing directors have moved to DLJ to head new businesses in Latin American equity derivatives, trading and sales, and mergers and acquisitions.

Business at DLJ, which is owned by the insurance group Equitable Companies, was almost entirely focused on US securities.

Lockheed turns in $137m for final three months

By Richard Waters

Lockhaed, the US aerospace and defence group, reported net income of $137m for the final three months of 1994, the last full quarter before the expected completion of its $9bn merger with Martin Marietta.

At $2.14 a share, compared with $2.13 in the final months of 1993, the results were in line with expectations.

The latest figures wera affected by a $25m charge to cover a settlement agreed with US regulators last month over a bribery charge.

The company admitted to paying e $1m bribe to an Egyptian official to support sales of its C-130 aircraft to the country.

For the whole year, net income rose to $445m, or $7.00 e share, up from $422m, or $6.70, the year before. Sales were unchanged at $13.1bn.

The merger with Martin Marietta was cleared by the US Federal Trade Commission last month, and is dne to be voted on by both companies' shareholders next month.

US$175,000,000
Floating rate depository receipts due 1997
issued by

The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with

BANCA DI ROMA
London Branch

Notice is hereby given that the receipts will bear interest at 6.6125% per annum from 8 February 1995 to 8 August 1995. Interest payable on 8 August 1995 will amount to US$3,324.62 per US$100,000 receipts.

Agent: Morgan Guaranty Trust Company

JPMorgan

International Finance Corporation
Washington, D.C.

Italian Lire 150,000,000,000
Floating rate notes 1999

Notice is hereby given that for the interest period 8 February 1995 to 8 August 1995 the notes will carry an interest rate of 8.85% per annum. Interest payable on 8 August 1995 will amount to ITL 222,479 per ITL 5,000,000 note and ITL 2,224,792 per ITL 50,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Antofagasta Holdings P.L.C.

Southwestern Bell Corporation Buys a 40% Interest in VTR Inversiones

Antofagasta Holdings announces that on Monday, 6 February 1995, S.B.C. International, Inc. (S.B.C.I.) a subsidiary of Southwestern Bell Corporation acquired 27.6 million shares in VTR Inversiones S.A., a leading Chilean International telecommunications company. The aggregate price paid was US$316.6 million or US$11.49 per share.

A rights issue for 20.7 million shares was fully taken up by S.B.C.I. which in addition has purchased a further 6.9 million shares from some of the existing shareholders at the same price per share. As a result, Antofagasta Holdings has received CH$ 9,298 million in cash, equivalent to US$22.72 million, for the sale of 1.98 million shares representing 4.1% of the share capital before the rights issue. Following the rights issue, the company's equity interest in VTR Inversiones is 14.55% which, based on US$11.49 per share, has a market value of US$115 million.

Antofagasta Holdings acquired its initial interest in VTR in February 1986 at a net cost of US$1.4 million. The carrying value of the 4.1% disposal was US$1.0 million giving rise to a net profit of US$21.72 million.

In 1994, the Group received dividends attributable to this investment of US$305,722 (1993 – US$52,000). Proceeds from the sale will be used for general corporate purposes.

NOTICE OF REDEMPTION

Nacional Financiera, S.N.C., Trust Division
as Trustee of the Nafin Finance Trust
Guaranteed Floating Rate Notes Due 1997
CUSIP No. 629718-AA5*

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on March 15, 1995, 13.47612672913% of the Outstanding Principal Amount of the Notes, amounting to $9,060,000.00 on a pro rata basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each $10,000 principal is $453.00.

On March 15, 1995, there will become due and payable on each Note the above amount, together with interest accrued to March 15, 1995. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

Payment of the redemption amount plus accrued interest on Bearer Notes will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below:

Citibank, N.A.
336 The Strand
London, WC2R 1HB
England

Citibank (Luxembourg) S.A.
16 Avenue Marie-Therese
Grand Duchy of Luxembourg
Luxembourg

Citibank, N.A., *as Note Trustee*

February 8, 1995

**This CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders. Neither the Issuer nor the Note Trustee shall be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in this notice.*

NOTICE

As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

SOCIETE GENERALE ACCEPTANCE N.V.
ITL 11,600,000,000
ZERO COUPON EURO MEDIUM NOTE DUE FEBRUARY 8th, 1995
ISIN CODE : XS0048869845

Notice is hereby given that the Final Redemption Amount applicable upon redemption of each note will be :

ITL 10,357,224 per danomination of ITL 10,000,000

Raimbursement of the nominal will be mada on February 8th, 1995 in accordance with Condition 6 "Payment" of the Terms and Conditions of the Notes.

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

CONTRACTS & TENDERS

CITY OF SAN REMO

Announcement of a Contest for the Decennial Review of the Town-Planning Scheme

ABSTRACT

The City of San Remo 18038 (Italy), Corso Cavallotti No. 59 - TEL. 0184/534011 - Fax 0184/575030 - will give the task for the Decennial Review of the Town-Planning Scheme, through a negotiated procedure to be carried out according to the EEC Directive 92/50, Council of 18 June 1992.

Authorised Expense: Lit. 800,000,000 VAT included. Applications must be sent in the form and with the elements indicated in the integral version of the announcement of the contest (available at the City Territorial Department) before 21 February 1995.

Announcement of the contest sent to the Official EEC Publications Office on 6 February 1995.

City Territorial Department
The Manager
Alberto LOCATELLI

Notice to the Holders of outstanding

CHIEL FOODS & CHEMICALS INC.

US$30,000,000 3% Convertible Bonds due 2006
(the "Bonds" and the "Company" respectively)

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the issue by the Company of 201,442 common stock of the Company, the existing Conversion Price per share of preferred stock of the Company has, pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from W23,469 to W23,049 with effect from January 1, 1995.

February 8, 1995, London
By: Citibank, N.A. (Issuer Services)

CITIBANK

NEWS DIGEST

Pirelli considers selling shares in Brazilian divisions

Pirelli, the Italian cable and tyres group, is considering the sale of preference shares in its Brazilian subsidiaries to raise money for further expansion, writes Andrew Hill in Milan.

Pirelli said it wanted to attract new international investment in its Brazilian companies. It also wants to use the cash raised through an offer to take advantage of "new business opportunities in Brazil, in particular those generated by the privatisation process now under way".

Shares in the two companies – Pirelli Pneus (tyres), and Pirelli Cabos (cables) – are already quoted on the São Paolo stock exchange. The Italian group said it would maintain a majority stake and full managerial control of the companies.

Latin America is one of the most important world markets for Pirelli, accounting for about 19 per cent of overall group turnover.

The placing of preference shares is likely to happen this year, although a final decision has not yet been taken on whether to go ahead. Pirelli said it had named Paribas Capital Markets as global co-ordinator for a possible offer of preference shares. Mediobanca, the Milan merchant bank, is acting as adviser, and Banco BBA Creditanstalt will head the local offer.

Higher prices help turnround at Stelco

Stelco, one of Canada's two biggest steelmakers, swung back to a profit of C$115m (US$82.3m), or $1.01 a share, in 1994 from a loss of $36m, or 62 cents, in 1993, writes Robert Gibbens in Montreal.

The turnround was based on higher prices and shipments of sheet products. Revenues were $2.8bn, up 12 per cent. At the operating level, income quadrupled in spite of a shortfall in output because of blast furnace problems.

Fourth-quarter net profit was $49m, or 42 cents a share, against $13m, or 12 cents, on revenues of $736m, against $670m.

Stelco warned that 1995 figures could be affected by slower North American economic growth, blamed on higher interest rates.

SmithKline Beecham invests in Ligand

SmithKline Beecham, the UK pharmaceuticals company, is to invest up to $21.5m in Californian biotechnology company Ligand Pharmaceuticals as part of a research collaboration, writes Daniel Green in London.

The collaboration will focus on the discovery of drugs to control the formation and development of blood cells.

SmithKline will maka an initial equity investment by acquiring $5m worth of Ligand's common stock. It will have worldwide marketing rights to whatever products it chooses to take forward from the collaboration, subject to Ligand's right to elect up to three compounds to develop as anti-cancer products.

San Diego-based Ligand, founded in 1987, already has several other collaborations established, notably with Glaxo of the UK and Allergan and Abbott Laboratories of the US.

The company specialises in a technology related to the inner workings of human cells.

AlliedSignal maintains growth with 16% rise

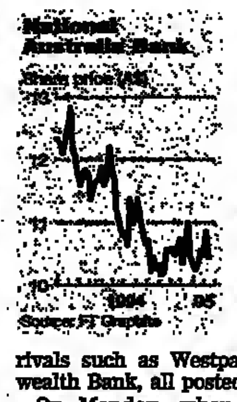
AlliedSignal, the diversified US manufacturer, maintained its growth rate in the fourth quarter with earnings up 16 per cent at $205m, or $0.73 a share, writes Tony Jackson in New York. Earnings for the full year were up 16 per cent at $759m, or $2.68. The dividend was also increased by 16 per cent, for the third year running.

The fastest profits growth in the group's three divisions in the final quarter came in engineered materials, consisting of plastics, laminates and fibres. Earnings were up 26 per cent at $82m, on sales up the same amount. It attributed the rise to volume increases across the board.

The vehicle components division produced a 16 per cent rise in quarterly income before special items, to $57m, on sales up the same amount.

In aerospace, income rose 14 per cent to a record $88m, on sales up 9 per cent. This was the second quarterly increase in aerospace sales after three years of decline.

NAB stock hit by acquisition doubts



Source: FT Graphite

Shares in National Australia Bank, the largest of Australia's "big four" commercial banks, fell sharply yesterday as investors digested the news that it plans to spend US$1.55bn acquiring Michigan National Corporation, writes Nikki Tait in Sydney. By the close, NAB shares had fallen 42 cents to $10.44 – a loss of almost 4 per cent - while banking rivals such as Westpac, ANZ and Commonwealth Bank, all posted gains on the day.

On Monday, when the acquisition was announced, NAB shares initially rallied, but eased for a 4 cent gain by the day's close.

Most local analysts had been fairly sanguine about the deal, partly because of the bank's own comments that the transaction should have minimal impact on earnings in the short term and benefits longer-term.

Standard & Poor's, the US credit rating agency, yesterday affirmed NAB's AA long-term and A-1 plus short-term ratings. It said that the goodwill element in the purchase price was "fair", but would result in some "initial weakening" of capitalisation levels. However, S&P said that NAB's ability to generate internal capital should restore the position fairly quickly.

Nevertheless, yesterday's share pressure was being attributed to fears, said to have been expressed by US analysts, that the Australian bank might be offering too much for Michigan National.

Strong quarter returns CanPac to the black

A strong fourth quarter helped to put Canadian Pacific into the black in 1994. However, outlook for 1995 is clouded by the threat of a rail strike, writes Robert Gibbens.

CanPac reported net profit of C$393m (US$284.4m), or $1.16 a share, for the year against a net loss of $190.6m, or 60 cents, in 1993 after special items. Revenues were $7.1bn against $6.3bn. Operating income was $1.1bn against $932m.

Fourth-quarter net profit was C$100m, or 29 cents a share, against a loss of $117.5m, or 37 cents, on revenues of $1.86bn, against $1.7bn.

Brierley Investments lifts Goodman stake

Brierley Investments, the investment group headed by Sir Ron Brierley, has again lifted its stake in Goodman Fielder, the large but troubled Australian food group, writes Nikki Tait.

BIL disclosed it had acquired about 4.9 per cent of Goodman last week, through a series of purchases at the end of last year and in January. Its stake has now moved up to 5.3 per cent.

Israel sells 24.9% stake in chemicals group

By Julian Ozanne in Eilat

The Israeli government yesterday sold a 24.9 per cent stake in Israel Chemicals, the country's biggest chemicals and fertiliser company, to a group controlled by Mr Shoul Eisenberg, a leading Israeli businessman.

The sale, which values the company at $925m, is the government's biggest divestment in more than a year under the stalled privatisation programme. It paves the way for the sale of 22 per cent of Israel Chemicals on international capital markets in Israel's first global public offering of a government-controlled company.

After the global share offering, the government's stake will be reduced to 28 per cent. It floated 25 per cent some two years ago.

Mr Yossi Nitzani, head of the government companies' anthority, said the 24.9 per cent stake had been sold for $230.3m to an investor group 50 per cent-owned by Israel Corp. The other member of the group is an unnamed foreign company wholly-owned by Mr Eisenberg. The deal, Mr Nitzani said, would need approval from the trade ministry and the Israeli perliament, but he expected the sale to be closed within the next week or two.

Mr Nitzani said Mr Eisenberg would this month appoint new members to the Israel Chemicals board. Although the government will remain the largest single shareholder with a "golden share", the Eisenberg group will be granted a majority on the board and will have management responsibility.

The government said it was determined to push ahead quickly with the global public offering, slated for next month on the New York and London markets. Wertheim Shroeder has been appointed lead co-ordinator for the offering.

Israel Chemcical's profits for the first nine months of 1994 were up 12 per cent at $34m on a 13.8 per cent increase in revenues to $908m. The results reflected improved world prices and market conditions for principal products.

Israel Corp, which is owned 55 per cent by the Eisenberg family, also has 50 per cent of the Zim Israel shipping company and 26 per cent of state-controlled Oil Refineries.

Banks jostle to greet new kid on the block

Much hangs on the sale of 25% of Bezeq, Israel's state telecoms group, says Julian Ozanne

The Israeli government is expected next week to name the lead co-ordinator for Israel's largest global stock offering and one which will be a benchmark of its privatisation programme.

On the block is a 25 per cent stake in Bezeq, Israel's state telecommunications company. Its sale marks a new era of competition and liberalisation in the country's telecommunications sector.

The offering, dne in June, will reduce the government's holding to 51 per cent, following two previous offerings for a total of 24 per cent on the Tel Aviv Stock Exchange.

Competition among international investment banks over whether New York or Europe should lead the $700m offering is intense. Among banks lining up for presentations in New York this week are Merrill Lynch, Goldman Sachs, Wertheim Schroeder and Smith Barney. They follow similar presentations by Barclays de Zoette Webb, Warburg and Union Bank of Switzerland in London last week. Morgan Stanley is advising the government on the privatisation.

After the 25 per cent offering, the government plans to sell a stake to a strategic investor. International telecommunications companies such as AT&T, Southwestern Bell, British Telecom, Cable & Wireless and Deutsche Bundespost have had talks with Bezeq on such an investment.

Bezeq has already begun to face competition in the booming domestic cellular market from a second company which started operations last month. The government will also license two other operators this year to compete for international traffic.

In 1984, when the company was transformed from a government department to a corporation, Mr Isaac Kaul, Bezeq president since 1990, said there were 256,000 people waiting for new lines, one-third of whom had been waiting for more than a year.

However, in 1993 Bezeq invested Shk1.4bn ($466m) in bringing the operation up to date. It installed 252,000 new lines, lifting 1992 capacity by 31 per cent. Waiting time for a phone was reduced to a maximum of four weeks. Digitalisation was increased to 80 per cent, and use of cellular phones by 79 per cent. Maintenance standards were lifted until the company was able to repair 30 per cent of faults in two hours. It also logged a 14 per cent increase in the number of calls made, to a record 12,600m meter units.

Business information service Dun & Bradstreet in 1993 ranked the company first out of 200 Israeli industrial, commercial and trading companies in terms of revenues. Bezeq's sales were $1.7bn, up 7.4 per cent over 1992 figures, and net profit rose 22.5 per cant to Shk282.6m. The improvement came in spite of the government's decision to erode tariffs by 10 per cent in real terms, and its continuing heavy debt burden.

The sale of the 25 per cent stake will allow Bezeq to retire part of its Shk3.5bn debt to the state, with expected savings of Shk100m a year.

Mr Kaul says further privatisation will allow a substantial reduction of government influence in management.

After the sale, the company hopes to enter direct wage bargaining with its 10,000 employees. Last year's wage agreements, signed by the government, lifted Bezeq's salary costs by Shk150m in real terms, compounding its financial problems after the tariff rednctions. "We would have been a lot tougher if we had been allowed to negotiate independently," says Mr Kaul.

However, before the 25 per cent sale can go ahead, the government must decide on guidelines for the tender for competition in international calls. International services account for 35 per cent of Bezeq's revenues and most of its profits. Bellsouth, AT&T, MCI and Sprint of the US, and others, have expressed an interest in bidding for the international service tender.

Mr Kaul believes expansion will come from the local and international traffic network; the cellular mobile phone market; joint ventures with foreign companies to operate networks abroad; the development of infrastructure in the Middle East; and new services and data networks with multimedia facilities.

He says there is great potential to expand Israel's domestic network. Israel has a line density of 37 per 100 people, compared with 60 in the US, Canada and Sweden. Bezeq believes Israel will eventually achieve these levels of density.

In the cellular mobile phone market, Bezeq last year formed a subsidiary with Motorola of the US to meet the competition from new operator Cellcom, a joint venture between Bellsouth of the US, the Safra banking family and Israel's Discount Investment Company. The venture plans to invest $300m over the next three years.

There are 130,000 Israeli cellular subscribers, and Mr Kaul says this figure should climb to 1m by the end of the decade.

The company has allocated $100m over the next few years to the development of joint ventures abroad. It already has a joint venture with Matav of Hungary to operate a 100,000-line concession in Hungary and is seeking or developing projects in Poland, Macedonia, Azerbaijan and Kazakhstan.

Bezeq also sees the potential for new business with Arab neighbours, demonstrated by last year's opening of lines between Israel and Jordan.

COMPANY NEWS: UK

Rumbelows and Fona chains closed in UK after continuing losses

Beatles help Thorn beat forecasts

By David Blackwell

The sale worldwide of 4.5m copies of the Beatles Live at the BBC helped Thorn EMI lift pre-tax profits at the nine month stage to £343.7m ($540m), ahead of City forecasts of between £330m and £336m.

"Altogether it has been an excellent nine months," said Sir Colin Southgate, chairman, who expects the full-year outcome to match the nine month performance.

The company also announced the widely expected decision to leave the overcrowded and highly competitive UK electrical retail business with the closure of Rumbelows, where losses over the last three years had been running at £12m annually.

In addition to closing Rumbelows, the group is also ending its experiment with 36 Fona stores. These were introduced as an attempt to reposition Rumbelows by imitating the group's chain in Denmark, where Fona is the market leader in electrical retailing.

"We saw no way that that £12m would not be there next year or the year after," said Sir Colin. "If we had known any other route out we would not have closed it."

Group profits, to December 31, were struck on sales of £3.4bn, including £53.1m from discontinued operations. They compared with previous profits of £246.9m on sales of £3.3bn, including £254.9m from discontinued operations.

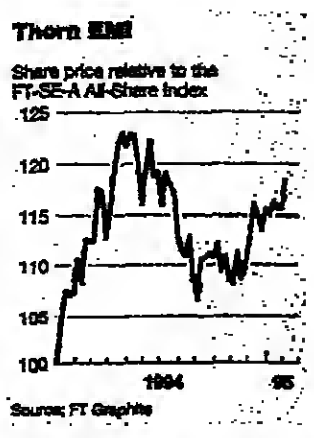
Operating profits at EMI Music grew from £212m on sales of £1.37bn to £252.7m on sales of £1.7bn. In addition to the Beatles, the group notched up good sales of recordings by Garth Brooks in the US and local stars in Japan.

Sir Colin described the results from Thorn Group, the rentals division, as fantastic, with a 25 per cent increase in like-for-like sales in the UK in spite of the losses at Rumbelows. Operating profits grew to £100.5m (£89.8m) while sales improved to £1.18bn (£1.11bn).

The division, which operates Radio Rentals and Crazy George, increased sales in the UK by 2 per cent, reversing the decline of recent years. The group has widened the product range to include personal computers and white goods.

In addition it has introduced Option-2-Own, a system that allows the consumer to convert rental to ownership. This accounted for more than half the revenues from new installations in the third quarter.

HMV, the music retailer, more than doubled operating profits from £6.5m to £14.4m on sales of £376.1m (£308.7m). The group reported an increase of almost 17 per cent in like-for-like sales at Christmas.



LEX COMMENT

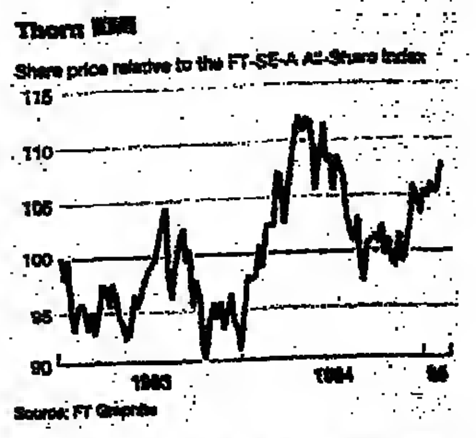
Decisive Thorn EMI

The market's unenthusiastic reception of the details of Thorn EMI's Rumbelows closure is unfair. Rumbelows was badly positioned in an exceptionally competitive market and had no possible value to anyone else. The management's recent test run of converting stores to the Fona flag may have been a £5m dud, but at least Thorn has been decisive in moving to cut its losses. The £116m of closure provisions will be partially recuperated as Rumbelows' £12m of annual losses are stemmed. It is only to be hoped that the same management broom may rapidly be applied to the loss-making electronics businesses.

The remaining two legs of the business have fared well. Like-for-like music profits increased by 14 per cent, and margins climbed towards the stated target of 16 per cent. The rental business achieved record profits, despite the performance of Rumbelows. Its strategy of introducing rental-to-own agreements has been extremely successful. These account for half of new UK agreements, and are enhancing profit margins.

Nonetheless, with the shares rated on a 20 per cent premium to the market for the current year, it is getting hard for Thorn to provide pleasant surprises. Demerger of the rentals operations from music is on hold, due to the tax bill that would result – estimated at up to £150m.

There is considerable potential for improving returns from EMI's vast music catalogue as a result of the explosion of new multimedia products, such as CD-Rom. But benefits look too far away to justify share price outperformance.



Faint glimmers of hope in a mayhem market

Neil Buckley on the UK's cut-throat electrical sector, as 2,500 jobs go at Rumbelows

The decision by Thorn EMI to close its 285-strong Rumbelows electrical retailing chain provides still more evidence of the cut-throat nature of UK electrical retailing.

Thorn's move, resulting in the loss of 2,500 jobs, comes after more than a year of bad news for the sector.

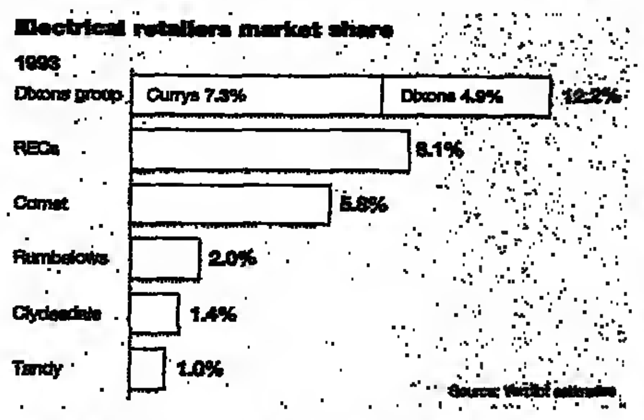
Professor Stephen Littlechild, the electricity regulator, revealed, late in 1993, that the privatised regional electricity companies' retailing arms had incurred total losses of £105m over the previous three years.

In January 1994, Dixons, the UK's largest electrical retailer, rushed out disappointing trading and profits figures earlier than planned, shortly before Clydesdale, the electrical superstore group based in Scotland, collapsed.

Last month, Comet, the UK's second largest electrical retailer, reported an 11 per cent fall in sales in the 23 weeks to January 7.

Sir Colin Southgate, chairman of Thorn EMI, said yesterday that electrical retailing was a "mayhem market" where "no one makes any money, either in or out of town".

However, some analysts believe the worst might be over.



The closure of Rumbelows will ease the overcapacity problems in the market; and, with increases in disposable incomes expected to lead to a pick up in electrical goods sales, yesterday might come to be seen as the low point.

The electrical goods sector has followed a broadly similar pattern to many others in the past decade. In the years 1986 to 1988 it grew spectacularly.

A lively housing market stimulated demand for white goods such as fridges and washing machines, while high disposable incomes encouraged a boom in products such as video cassette recorders.

A shift from small high-street outlets to out-of-town superstores began to accelerate, with independents losing out to large groups. One of Rumbelows' biggest mistakes was to remain in the high street, rather than moving out of town, leaving it unable to compete with the big superstores.

According to the Department of Trade and Industry's annual retail inquiry, the number of electrical stores fell from 16,800 in 1984 to 14,800 in 1993. At the same time, according to Verdict, the retail research group, the number of superstores grew from 147 to 600, and superstores increased their share of the electrical market from 6.6 to 19.8 per cent.

Since 1989, however, the electrical market has been one of the retail sectors hit hardest by recession. Growth in spending on electrical goods shrank to 2 per cent a year before picking up in 1993, when Verdict valued the market at £10.6bn.

And the privatisation of the regional electricity companies, which started to expand their high street retailing businesses, has led to serious overcapacity problems.

Although most of its stores were acquired by Scottish Power, the Scottish regional electricity company, the demise of Clydesdale went some way towards easing those problems, as will the closure of Rumbelows, which had 2 per cent of the UK electricals market. In addition, several regional electricity companies are rumoured to be considering cutting back expansion plans or withdrawing from retailing.

If Trafalgar House succeeds in its bid for Northern Electric, the latter's electrical retailing arm is widely expected to be an early casualty.

The expected growth in disposable incomes in the UK could also rekindle the electrical market. As in other highly competitive sectors such as DIY, however, there will be no return to the easy profits of the late 1980s. Only companies that have spent the recession years getting their strategy right are expected to prosper.

One such company is Dixons, which issued an encouraging set of results last month, in sharp contrast to the previous January. It has a clear strategy of developing Dixons stores, with a bias towards high-tech brown goods, in the high street, and expanding its Currys chain, which concentrates more on lower-tech and white goods, out of town. In addition, its expanding PC World chain is well placed to take advantage of the upsurge in multimedia computers.

The outlook for Comet, the UK number two, is less rosy. Its strategy is confused, and it is still trying to improve its systems and reap the benefits from its parent group Kingfisher's acquisition of Darty, the successful French electrical retailer.

Some analysts believe the chain is likely to be downsized.

Verdict believes there may be room for four out-of-town electrical superstore groups in the UK, and competition to fill the remaining two slots is likely to be between the largest regional electricity companies.

At present, these are Powerhouse, a merger of Eastern, Southern and Midlands Electricity, Norweb and Homepower, an alliance between East Midlands and Yorkshire Electricity.

But competition will remain tough, and Rumbelows may not be the final casualty.

NatWest plans UK branch restructuring to cut costs

By Alison Smith

National Westminster Bank is to restructure its UK branch banking business, with the aim of making cost savings and of focusing more specifically on the different areas of activity the business comprises.

Job losses are likely in back office administration posts, as the existing 18 UK regions are replaced by 10 for retail banking and six for corporate banking.

The plans have emerged two weeks before NatWest is expected to announce full-year pre-tax profits of £1.5bn.

Alongside the split between retail and corporate banking in the regions, the business will also be more clearly divided into six business units: retail banking, corporate banking, mortgages, life and investment, general insurance, and card services.

The identification of mortgages as an area where the bank wants to develop "a major and profitable presence" is striking, as it comes when the recovery in the UK mortgage market is still fragile and uncertain, and competition for new mortgage customers is putting pressure on lenders' interest margins and income from fees.

The restructuring is likely to mean cuts in jobs and activities at head office, reflecting the shift of responsibilities to the six business units.

Nintendo and BCE in $1m deal

By David Blackwell

BCE Holdings yesterday announced a deal with Nintendo that will enable the group to benefit from Ultra 64, a 64-bit games machine to be launched this autumn.

Nintendo of America has appointed Software Creations, a BCE subsidiary, to develop a sound package for the new machine, and to develop a three-dimensional game.

The two projects will generate an advance of about $1m.

BCE is a USM-traded snooker and pool products distributor that moved into the electronic games business only last November, paying £9.98m for Software Creations. Games developed by Software Creations include Terminator 2 and Spiderman and it has longstanding links with Nintendo.

Mr Robin Jones, BCE managing director, described the deal as "a real feather in our cap".

NEWS DIGEST

Schroders Property Fund buy

Schroders International Property Fund has acquired a portfolio of seven retail and office properties in Belgium, Germany, the Netherlands and Spain from Norwich Union, the insurance company.

The fund is paying Fl 70.8m (£26.4m) for the properties, giving an initial yield of about 8.5 per cent at current rents.

TT/Meggitt

Shares in Meggitt rose 8½p to 72p yesterday after TT Group, the acquisitive conglomerate, said it had purchased a 4.8 per cent stake in the engineering and electronics company.

The share price rise reversed recent losses incurred following a profit warning by Meggitt, which last month sacked the management team at one of its main US subsidiaries.

Betacom doubles

Betacom, the telecommunications equipment company, said it had expanded its export business, particularly in Zimbabwe and Germany, as it reported doubled profits for the six months to December 31.

Zotefoams

Improved sales in North America and increased productivity enabled Zotefoams, the specialist foams manufacturer which is coming to the market in a £50m flotation, to announce a 62 per cent rise in profits.

Mr Bill Fairservice, managing director of the former BP Chemicals subsidiary, said the improvement reflected increased demand from manufacturers of products including toys, sports equipment, body armour and aircraft seats.

Alpha Airports

Alpha Airports Group has acquired two flight kitchens in the US and is selling its two Portuguese flight kitchens.

Alpha is paying Jerry's an initial £8.2m cash plus up to a further profit-related £1.9m for two kitchens at Miami and Orlando airports. The company will also assume a further £600,000 of borrowings. In Portugal, Alpha is selling its Lisbon and Faro kitchens for £1.7m cash to Gate Gourmet.

Blacks/Fila deal

Blacks Leisure Group, the camping, sports and fashion company, has reached a new agreement for the promotion and sale of Fila footwear and clothing in the UK.

Blacks will hold 40 per cent of a new joint venture, Fila UK, with the balance held by Fila Nederland. Blacks intends to invest £40,000 in the venture and provide loan facilities of £560,000.

UCM purchase

Universal Ceramics Materials is to acquire the assets of Tateho America, a supplier of electrical grade magnesia based in Greeneville, Tennessee. The consideration is a maximum $4m cash.

Tateho, a direct competitor of UCM, will be operated by the group's new subsidiary Universal America and will enable it to enter the market for friction grade magnesia used.

Strong rises in BSkyB and US television with higher UK advertising

News Corp advances 8% to A$673m

News Corporation, Mr Rupert Murdoch's international media group and the parent of News International, reported an 8 per cent rise in interim profits after tax but before abnormal items.

The advance to A$673m for the six months to December 31 reflected a strong improvement in operating results from the British Sky Broadcasting associate and from US television interests.

BSkyB, in which Pearson, owner of the Financial Times, has a 14 per cent stake, reported a 46 per cent increase in interim pre-tax profits to £55m in its first results since flotation.

A buoyant advertising market and ratings gains from the airing of National Football League games on the Fox network helped the US television side lift operating profits to A$260m (A$205m). There was, however, a $350m (£224m) write-off on the NFL contract – the difference between expected revenues from the contract over its four-year life and the expected costs. Fox paid $1.56bn for the contract in December 1993.

Operating profits at News International, the UK newspapers group, increased to £56m (A$116m), against £50m, as a result of improved advertising income and increased circulation spurred by the price cuts of the UK's newspaper war. Advertising rates went up by 15 per cent at The Sun, The News of the World and The Times in September 1994.

Star TV, the Asian satellite broadcasting venture, now has an audience of 53.7m homes throughout Asia, India and the Middle east, an increase of nearly 30 per cent since January 1994.

Mr Gus Fischer, News International chief executive, said: "The UK newspaper market remained highly competitive during the last six months. The group has continued to benefit from the massive investment in people and plant and machinery".

Despite a rise in BSkyB's subscription costs in October, paying subscriber numbers increased by 480,000 to 3.96m, helping lift turnover by 47 per cent to £356.9m (£241.4m) for the six months to December.

Programming costs rose sharply from £102m to £147.7m as itsought to maintain subscriber growth.

Mr Sam Chisholm, chief executive and managing director, said the company's "financial and programming strengths provide a platform for continued growth", with operating profits running at more than £5m per week.

Total revenues improved by 4.5 per cent to A$6.09bn. Net abnormal items amounted to A$148m, against A$144m, leaving the bottom line ahead at A$821m (A$769m).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Betacom	6 mths to Dec 31	8.36	(6.91)	0.218	(0.103)	0.31	(0.15)	-	-	-	-	-
Brewin Dolphin	Yr to Dec 9	28.7	(26.2)	4.03	(3.19)	14.1	(13.7)	4	Apr 6	-	5	-
BSkyB	6 mths to Dec 31	356.9	(241.4)	55	(37.8)	3.3	(2.8)	-	-	-	-	-
Bryant	6 mths to Nov 30	244.5	(178.2)	21.4	(14.6)	5.2	(3.6)	1.45	Apr 28	1.4	-	5
Glaxo	6 mths to Dec 31	2,852	(2,803)	1,097	(996)	24.3	(23.4)	10	Apr 10	8	-	27
Londes	Yr to Sept 30	13.8	(12.3)	0.342	(1.38L)	4.2	(63.53L)	-	-	-	-	-
News Intl	6 mths to Dec 31	398.1	(344.6)	561.9✝	(126.7)	39.17	(9.32)	1.62	Apr 28	0.72	-	1.44
Ramsden's (Harry)	Yr to Oct 2	3.58	(3.29)	0.951	(0.615)	8.2	(7.2)	3.5	Apr 7	3.5	4.5	4.5
Shani	15 mths to Oct 31	30.4	(20*)	3.51	(2.44)	16.4	(11.3)	4.2	Apr 7	3.5	7.2	5.3
Thorn EMI	9 mths to Dec 31	3,406	(3,311)	343.7♥	(246.9♦)	47.3	(35.3)	-	-	-	-	34
Waste Management	Yr to Dec 31	1,116	(941.4)	165.2	(150.9)	27.8	(26.5)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
[illegible]	6 mths to Nov 30	90.31	(90.28‡)	0.94	(-)	1.39	(-)	0.8	Mar 7	-	-	1.2
Fleming C'house	Yr to Dec 31	208.4p	(238.9)	3.61	(3.21)	6.54	(6.53)	1.92♦	-	1.25	5.67	5
Fleming Enterprise	6 mths to Dec 31	222.5	(232.9)	0.89	(1.22)	2.22	(3.05)	1.45	Apr 5	1.4	-	4.8
Hong Kong	6 mths to Dec 31	53.3	(109.3)	0.16	(0.16)	0.81	(0.89)	0.75	Mar 23	0.75	-	1.85

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ‡At May 31. ✝After £403.4m profit from disposal of part of BSkyB stake. ♥After exceptional credit. ♦After exceptional charge. *Year to July 31. ♦4th quarterly payment.

صكنا من الاصل

WELLCOME

PRELIMINARY RESULTS

for the financial period ended 31st December 1994 (unaudited)

Wellcome

	16 months December 1994	**12 months December 1994**	12 months December 1993	12 months December Change
Sales	£2,962m	**£2,276m**	£2,052m	up 13%
Zovirax sales	£1,109m	**£858m**	£742m	up 16%
Retrovir sales	£268m	**£206m**	£227m	down 7%
Research and Development	£454m	**£346m**	£336m	up 5%
Non-operating exceptional items	(£58m)	**(£58m)**	£17m	
Pre-tax profit (excluding exceptional items)	£939m	**£738m**	£624m	up 19%
Earnings per share (excluding exceptional items)	66.3p	**52.1p**	44.4p	up 18%
Final proposed dividend per share	16.0p			
Total dividend per share	30.4p			
Net cash		**£781m**	£618m	up £163m

Sales since January 1994 include Wellcome's share of the sales of Warner Wellcome Consumer Healthcare.
All sales and profit percentage changes are at constant exchange rates.

HIGHLIGHTS

- Sales advance an underlying 13%
- Pre-tax profits up 19%
- Operating margin for year at record 31.5%

- **Zovirax** prescription sales up 16% to £858m
- Launch of follow up compound **Valtrex**
- R&D successes in antiviral, CNS and oncology areas

- EPS 52.1p (up 18%)
- Final dividend of 16p per share

Mr John Robb, Chairman and Chief Executive, said:

"These record-breaking results for 1994 show in very clear terms the strength of Wellcome's business and prospects. They demonstrate the success of the strategy which has been implemented over the past four years. Furthermore, they reinforce the Board's conviction that our current strategy is in the best interests of all our shareholders."

Wellcome plc, Unicorn House, P.O. Box 129, 160 Euston Road, London NW1 2BP

The financial information set out above does not constitute statutory accounts within Section 240 of the Companies Act 1985.
The Company's auditors have made an unqualified report under Section 235 of that Act in respect of the financial period ended 31st August 1993 and such accounts have been delivered to the Registrar of Companies; statutory accounts for the financial period ended 31st December 1994 have not yet been finalised.

January 1994
ALPHA
ALPHA Airports Group PLC
Flotation
Public Offer and Placing of 113,087,500 Ordinary Shares at 140p each
Financial Adviser and Underwriter
UBS Limited

July 1994
Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corporation
US$600 million
1¼% Bonds
due 2001
Lead Manager
UBS Limited

March 1994
Kinki Nippon Railway Co., Ltd.
SFr 300 million
2% Notes with Warrants
due 2001
Joint Lead Manager
Union Bank of Switzerland

November 1994
RENAULT
Renault
International Offering of 24,784,383 Ordinary Shares at FFr 176 each
Joint Lead Manager
UBS France S.A.

April 1994
TELE DANMARK
Tele Danmark A/S
Initial Public Offering of 63,229,770 B Shares at DKr 310 each
European Lead Manager
UBS Limited

February 1994
TransAtlantic
TransAtlantic Holdings PLC
£250 million
5¼% Convertible Bonds
due 2009
Lead Manager
UBS Limited

October 1994
BOOKER
Booker plc
Cash Placing of 10.5 million Ordinary Shares at 404p each
Joint Broker
UBS Limited

November 1994
FORTE
Forte Plc
£177 million
Vendor Placing of 78,000,000 new Ordinary Shares at 227p
Financial Adviser and Underwriter
UBS Limited

July 1994
Liberty Life Association of Africa Limited
$320 million
6½% Convertible Bonds
due 2004
Joint Lead Manager
UBS Limited

January 1994
SAMSUNG ELECTRO-MECHANICS
Samsung Electro-Mechanics Co., Ltd.
SFr 70 million
0.25% Convertible Bonds
due 2000
Lead Manager
Union Bank of Switzerland

April 1994
PELICAN
The Pelican Group PLC
Rights Issue of 25,246,519 Ordinary Shares at 80p each
Adviser and Joint Broker
UBS Limited

February 1994
Tring
Tring International Group PLC
Flotation
Placing of 21,186,440 Ordinary Shares at 118p each
Adviser and Broker
UBS Limited

March 1994
CSC
CAPITAL SHOPPING CENTRES PLC
Capital Shopping Centres PLC
Initial Public Offering of 91,000,000 Ordinary Shares at 230p each
Joint Lead Manager
UBS Limited

November 1994
Chakwal Group
Chakwal Cement Company Limited
US$100 million
Global Depositary Receipts
Lead Manager
UBS Limited

May 1994
CIR
CIR S.p.A.
Lire 591 billion
Rights Issue of 6% Convertible Notes
due 1999
Joint Global Co-Ordinator
UBS Limited

May 1994
CLS Holdings plc
CLS Holdings plc
Flotation
Issue of 45,045,045 Ordinary Shares at 111p each
Joint Adviser and Sole Broker
UBS Limited

In equity capital markets, you are in safe hands with UBS.

September 1994
UniChem PLC
UniChem PLC
Rights issue of 24,430,796 Ordinary Shares at 245p each
Joint Underwriter and Broker
UBS Limited

February 1994
UNITED CARRIERS GROUP PLC
United Carriers Group PLC
Flotation
Placing of 15,050,014 Ordinary Shares at 153p each
Sole Broker
UBS Limited

June 1994
UPF Group plc
Flotation
Placing of 17,878,864 Ordinary Shares at 108p each
Adviser and Broker
UBS Limited

May 1994
Vymura plc
Vymura PLC
Flotation
Placing of 16,046,468 Ordinary Shares at 150p each
Sole Broker
UBS Limited

May 1994
DCC plc
DCC plc
Introduction to the London Stock Exchange and Placing of 3,297,320 Ordinary Shares at IR250p each
Joint Underwriter and Broker
UBS Limited

November 1994
GUINNESS PLC
Guinness PLC
Block trade of 72,000,000 Ordinary Shares at 457p each
Lead Manager
UBS Limited

May 1994
Norcor Holdings PLC
Norcor Holdings PLC
Flotation
Placing of 14,166,667 Ordinary Shares at 120p each
Adviser and Broker
UBS Limited

June 1994
Südelektra
Südelektra Holding AG
Rights issue of 150,000 Bearer Shares at SFr 1,000 each
Lead Manager
Union Bank of Switzerland

November 1994
THK
THK Co., Ltd.
SFr 100 million
2¼% Convertible Notes
due 1999
Lead Manager
Union Bank of Switzerland

April 1994
winterthur
Winterthur Finance Ltd.
SFr 300 million
2¼% Bond with Warrants
due 1999
Lead Manager
Union Bank of Switzerland

November 1994
EVC
EVC International NV
Initial Public Offering of 10,000,000 Ordinary Shares at NLG 77 each
Joint Global Co-Ordinator
UBS Limited

September 1994
Intershop Holding AG
SFr 101.31 million
3¼% Bonds with Warrants
due 2000
by way of Rights
Lead Manager
Union Bank of Switzerland

April 1994
Indofood
P.T. Indofood Sukses Makmur
US$500 million
Exchangeable Bonds
due 1997
Lead Manager
UBS Limited

August 1994
SULZER
Sulzer AG
SFr 116 million
2% Convertible Bonds
due 1999
Lead Manager
Union Bank of Switzerland

UBS

All these transactions appear as a matter of record only.
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COMMODITIES AND AGRICULTURE

Late selling by US funds hits metals

By Kenneth Gooding

A wave of late selling by US investment funds sent aluminium and copper prices plunging again last night. The sudden and hectic selling came after a day when for most of the time it seemed that base metals markets had returned to stability after the big price falls on Monday.

"There has been a tremendous change in sentiment," said Mr Ted Arnold, metals specialist at the Merrill Lynch financial services group. "I think the bear market is here. There might be some good price rallies left in metals markets, but they will be seen as opportunities to sell."

The price of aluminium for delivery in three months fell to US$1,980 a tonne at one stage on the London Metal Exchange yesterday, a drop of 5 per cent from Monday's close, before buying emerged to take it back by the close to $2,036.50, down $7.50.

Copper was hit by heavy selling on the New York Commodity Exchange but it still managed to regain some of the ground lost during the metal markets' "Black Monday."

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-13,925	to 1,521,175
Aluminium alloy	-220	to 30,780
Copper	-1,200	to 308,150
Lead	-1,425	to 328,300
Nickel	-528	to 139,224
Zinc	-7,975	to 1,148,525
Tin	-615	to 26,775

Three-month copper closed on the LME up $24 a tonne at $2,838.50.

"Bulls" among metals analysts suggested that, while LME markets would be very volatile until a much needed correction to metals prices had run its course, the fundamental outlook remained positive: another healthy fall in LME stock levels was announced yesterday and substantial premiums were being paid for physical metal, showing there was no lack of demand.

However, Mr Arnold said that he now felt strongly that copper would go no higher because consumption had fallen more than expected in China and south east Asia. "The copper market will move into balance – after a supply deficit last year of 350,000 tonnes – given the fast deterioration in the consumption picture," he added.

Supply squeeze puts up pepper prices

International black pepper prices are likely to rise this year as bad weather and diseases squeeze supply in major producing countries, according to an industry official, Reuters reports from Jakarta.

"The estimated production of 172,980 tonnes is unlikely to materialise because of weather conditions and diseases," said Mohamed Ismail, executive director of the Jakarta-based International Pepper Community (IPC).

"Last year's production could even be lower than 1993's 170,814 tonnes. Pepper prices, which peaked in 1987 at an average $5,200 per tonne, were expected to average $2,900 per tonne this year, up from an average $2,094 in 1994 and $1,388 in 1993, he said.

"The market will be seeing tight supply this year."

Dollar's problems 'good for gold'

By Commodities Staff

Instability in currency markets is likely to be an increasingly important influence on the gold market, analysts suggest.

All three of the world's "reserve currencies" are potentially "in play," according to Ms Rhona O'Connell, precious metals analyst at stockbroker T Hoare & Co. "If any two were to be simultaneously subject to market concern, then gold's role as the ultimate hedge should come into play," she adds in Hoare's Mining Commentator.

Ms O'Connell points to the US rescue package for Mexico as potentially putting pressure on the dollar. Meanwhile, the German currency might be affected by concern over $40bn of Russian debt denominated in Deutschmarks; and the Japanese yen might be pressured by after-effects of the Kobe earthquake.

Hambros Equities analysts, Mr Graham Roberts and Mr John Barker, in the stockbroker's International Gold Shares Review, also touch on the currency issue. "Increasing problems within currency markets and ever ballooning debt burdens might cause the threat of monetary inflation to be more influential [on the gold market] than fears about price inflation," they state.

They suggest, however, that gold is likely to continue to trade in the range between US$370 and $390 a troy ounce in the first half of 1995.

Ms O'Connell points out that physical demand for gold falls away in February because of Chinese New Year, the Ramadan fasting season and the end of the Indian wedding season. The run-up to the Chinese New Year and the Indian wedding season account for roughly 15 per cent of global annual demand for physical gold.

Oz ore getting an iron grip on China

Australian imports approach 60%, reports Nikki Tait from Sydney

When the Koolyanobbing iron ore mine in Western Australia finishes its first 12 months of production later this year, there will be no problems selling the output: Anshan Iron and Steel Complex (Angang), China's largest steelmaker, will take the lion's share.

Just over a year ago, the Chinese organisation signed a joint venture agreement with Perth-based Portman Mining to redevelop the mine, which was last worked in 1982. This gave Angang a 40 per cent interest in the project and rights to most of the mine's output.

The venture was similar to an earlier project involving the government-owned China Metallurgical Import and Export Corporation and CRA's Hamersley Iron: the focus was a new iron mine, further north in Western Australia's Pilbara region, which came on stream in 1989. The Chinese, again holding a minority 40 per cent interest, subsequently took 100 per cent of its production.

Australian trade officials would like to believe that the developments are harbingers of greater Chinese involvement in their country's iron ore industry. During the past 20 years, the commodity has become one of the biggest export earners, bringing in sales of A$2.9bn in 1993. Australia and Brazil are the world's two leading iron ore exporters.

While Japan was the industry's biggest customer by a wide margin in the 1980s, China's huge demand for infrastructure looks likely to make it the all-important growth market for the remainder of the decade.

Industry forecasts suggest that Chinese steel production capacity could rise from just over 90m tonnes a year at present, to as much as 120m by the turn of the century. Already, Australia's ore exports to China have more than doubled from A$216m in 1990-91 to an estimated A$470m in 1993, and stand at A$286m in the first nine months of 1994.

"It's taking a while to build up – but the big increase should coma from 1996 onwards," says Mr Andrew Pearson, at the Department of Primary Industries and Energy in Canberra.

As a result of the trend, efforts to woo further Chinese investment are being stepped up. Last month, for example, a Chinese delegation, led by Mr Liu Qi, China's minister fnr metallurgical industry, toured the ore-rich Pilbara and met mining company representatives.

Australian officials say they were heartened by the visitors' response, not least because the delegation included mill managers as well as bureaucrats and provided some feel for users' requirements.

Selling closer links, however, is not easy. To begin with, competition from Brazil, which has also seen inward investment by the Chinese, is considerable.

Average mining cash costs there are lower than in Australia, but transport costs favour the latter country. Australia is holding its ground, however, and accounts for about 60 per cent of China's iron ore imports.

Trade officials also admit that the Chinese have expressed reservations about the chemical makeup of some Australian ore – notably, where there is a high alumina content.

They also acknowledge that there is a demand for reciprocal investment or, at the very least, consultancy and training services. The Channar mine agreement, for example, formally required Hamersley, as mine manager, to provide training opportunities.

A further complicating factor is that steelmaking technology is still evolving in China.

According to a recent study published by the Australian government's East Asian Analytical Unit, newer "electric arc" technology accounted for only 21 per cent of China's steel output in 1991, compared with a world share of 30 per cent.

But this figure is expected to rise, and with it China's demand for either scrap, normally used in the electric arc process, or a substitute feedstock.

This may present some interesting investment opportunities in Australia.

Hamersley now describes further investment ties in the iron ore industry between China and Australia as a "distinct possibility".

Hope seen in Canada's new diamond fields

By Kenneth Gooding, Mining Correspondent

Russia's rough (uncut) gem diamond production is falling fast and by late next year its diamond stocks will be "relatively insignificant," suggests Mr Peter Miller, analyst at Yorkton Securities, the Canadian stockbrokers.

Sometime in 1996, he says, demand for rough gem diamonds is likely to overtake supply.

So, far from representing a threat to the stability of the diamond market, output from new mines likely to be developed in Canada's Northwest Territories from 1997 onwards will instead go towards alleviating a serious shortage of diamonds.

Nevertheless, there will still be a shortfall to be met from US$4bn of stocks built up by De Beers, the South African group that controls 80 per cent of world rough diamond trade through its London-based Central Selling Organisation (CSO).

Mr Miller, in a substantial Yorkton report on the diamond industry, says, however, that towards the end of the decade De Beers domination of gem diamond production "will no longer be as absolute as in the past and the CSO will have to evolve to reflect this."

The arrival of BHP, Australia's largest company, and RTZ, the world's biggest mining group, as diamond producers, as well as potentially large production by smaller companies in countries as diverse as Brazil and Namibia, "suggest the death knell for yesterday's [CSO] policies of rigid inflexibility with producers has already begun."

The CSO will not wither, "but most likely will evolve into some kind of producers' co-operative as opposed to today's marketing cartel," Mr Miller suggests.

Mr Miller "tentatively suggests" the Russian stockpile of gem and near gem diamonds in 1990 was 80m carats worth about US$8bn. It has since been reduced to $2.8bn, equivalent to only eight months of CSO sales. With Russia's annual gem diamond output at only 2m to 2.2m carats, he suggests that within 18 months to two years the republic's stocks will be totally exhausted.

Output is falling steeply at Udachnaya, Russia's largest mine, and the Mir, once the richest, should be exhausted in 1995.

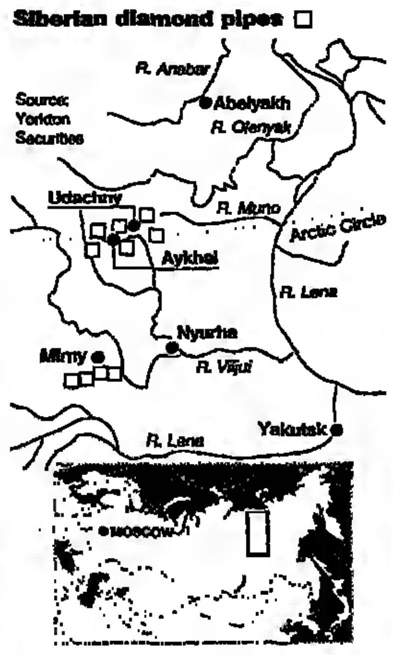
Economic chaos and capital shortages "strongly suggest" that replacements from the Yubileynaya (or Jubilee) mine or from the Arkhangel deposits "are still many years away."

On the other hand, a minimum of ten mines, "all relatively small by world standards," will be developed in the Northwest Territories in the next 20 or 30 years.

"Contrary to conventional wisdom," says Mr Miller, "there is strong evidence to suggest the world will need Canada's diamond production to help meet a potentially serious shortage predicted for the years 2,000 and beyond."

However, according to Mr Miller, the world's greatest diamond resource lies in the Atlantic Ocean off Africa. He predicts that by the year 2,000 De Beers' Namibian subsidiary will be producing more than 2m carats a year by sucking diamonds from the seabed, surpassing the onshore record it set at the begining of the 1970s in Namibia.

Siberian diamond pipes □



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1990-1	2036-7
Previous	2000-1	2043-5
High/low	2017	2058/1950
AM Official	2017-7.5	2062.5-3
Kerb close		1975-80
Open int.	233,135	
Total daily turnover	58,539	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1950-5	1985-95
Previous	1955-60	1995-2000
High/low		2015/1970
AM Official	1962-7	2005-10
Kerb close		1975-85
Open int.	2,635	
Total daily turnover	359	

■ LEAD ($ per tonne)

Close	584-5	603-4
Previous	556.5-7.5	576-7
High/low	583.5	610/600
AM Official	583.5-4	601.5-2
Kerb close		600-1
Open int.	40,036	
Total daily turnover	15,254	

■ NICKEL ($ per tonne)

Close	8620-30	8780-80
Previous	8735-45	8890-900
High/low		9200/8700
AM Official	8950-60	9110-20
Kerb close		8700-10
Open int.	57,948	
Total daily turnover	20,966	

■ TIN ($ per tonne)

Close	5505-10	5660-5
Previous	5490-500	5580-90
High/low		5750/5550
AM Official	5635-45	5725-30
Kerb close		5560-70
Open int.	23,027	
Total daily turnover	6,375	

■ ZINC, special high grade ($ per tonne)

Close	1031-2	1059-60
Previous	1026-7	1053-4
High/low		1078/1057
AM Official	1043-3.5	1069.5-70
Kerb close		1055-6
Open int.	106,242	
Total daily turnover	34,825	

■ COPPER, grade A ($ per tonne)

Close	2847-8	2838-9
Previous	2818-9	2814-5
High/low		2852/2822
AM Official	2848-9	2835-6
Kerb close		2825-6
Open int.	236,874	
Total daily turnover	66,314	

■ LME AM Official £/$ rate: 1.5585
LME Closing £/$ rate: 1.5580

Spot:1.5578 3 mths:1.5560 6 mths:1.5539 9 mths:1.5517

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int.	Vol
Feb	130.10	-2.40	132.10	130.10	1,949	658
Mar	128.45	-2.35	131.70	128.20	25,111	9,763
Apr	128.45	-2.35	130.10	129.00	1,055	125
May	127.70	-2.30	129.80	126.50	8,353	4,136
Jun	126.15	-2.20	-	-	594	62
Jul	124.45	-2.15	126.50	123.50	4,205	962
Total					58,187	16,256

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.60-375.00	
Opening	376.30-375.70	
Morning fix	375.20	240.867
Afternoon fix	374.50	240.573
Day's High	375.40-375.80	
Day's Low	374.40-374.80	
Previous close	374.80-375.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.41	6 months	5.41
2 months	4.69	12 months	5.89
3 months	4.64		

Silver Fix	p/troy oz.	US cts equiv.
Spot	301.50	470.00
3 months	305.90	476.40
6 months	311.20	484.20
1 year	323.60	501.55

Gold Coins	$ price	£ equiv.
Krugerrand	376-379	241-244
Maple Leaf	385.35-387.75	-
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Feb	375.3	-1.0	375.9	375.2	2,057	450
Mar	375.8	-1.0	-	-	2	-
Apr	377.3	-1.0	378.0	377.1	70,080	14,554
Jun	380.7	-1.0	381.4	380.5	29,003	833
Aug	384.5	-1.0	384.6	384.6	15,528	200
Oct	388.4	-1.0	388.2	388.2	4,778	1
Total					170,020	16,641

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	409.0	-3.8	412.5	408.2	16,611	2,123
Jul	412.0	-4.0	413.5	412.0	4,562	78
Oct	416.0	-4.0	418.0	418.0	1,105	3
Jan	419.7	-4.0	-	-	190	-
Total					22,488	2,204

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	157.65	-1.30	158.55	157.50	4,934	160
Jun	159.05	-1.40	160.25	158.75	2,513	77
Sep	160.20	-1.55	-	-	294	-
Dec	161.20	-1.55	160.50	160.50	53	-
Total					7,794	237

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Feb	464.8	-4.3	-	-	11	12
Mar	466.2	-4.3	470.0	464.0	66,977	9,544
Apr	468.8	-4.3	-	-	-	-
May	471.4	-4.4	475.5	470.0	16,699	663
Jul	476.9	-4.4	480.0	475.5	8,325	217
Sep	482.5	-4.4	487.0	486.5	10,859	24
Total					138,321	11,823

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.52	-0.07	18.61	18.42	88,534	59,093
Apr	18.27	-0.07	18.38	18.20	64,333	25,778
May	18.12	-0.04	18.20	18.05	30,291	9,532
Jun	17.99	-0.03	18.08	17.98	38,371	5,552
Jul	17.89	-0.04	17.89	17.88	16,757	3,485
Aug	17.82	-0.05	17.85	17.82	12,041	761
Total					387,058	112,322

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	17.13	-0.09	17.20	17.95	76,572	28,289
Apr	16.64	-0.05	16.73	16.61	50,505	21,019
May	16.52	-0.09	16.63	16.52	15,849	2,315
Jun	16.48	-0.04	16.57	16.46	12,224	2,806
Jul	16.46	+0.01	16.50	16.44	6,609	908
Aug	16.45	-0.03	16.50	16.40	4,686	663
Total					164,122	58,076

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	49.45	+0.25	49.65	49.00	37,186	28,030
Apr	49.20	+0.21	49.30	48.90	21,208	9,341
May	48.80	+0.09	49.00	48.70	10,868	3,067
Jun	48.80	-0.01	48.60	48.60	9,692	1,702
Jul	48.55	-0.06	48.85	48.55	9,221	1,162
Aug	49.00	-0.05	49.00	49.00	4,178	83
Total					115,786	43,481

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	146.50	+0.25	148.55	145.50	33,897	7,541
Mar	148.25	-0.50	148.25	147.75	35,470	8,498
Apr	149.00	-0.50	149.25	148.25	16,983	1,607
May	149.25	-0.50	149.50	148.70	5,758	583
Jun	149.50	-0.75	149.80	149.00	8,886	372
Jul	151.00	-0.75	–	-	2,719	-
Total					114,298	18,584

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.450	-0.088	1.549	1.445	37,167	15,700
Apr	1.465	-0.077	1.539	1.450	14,965	8,570
May	1.495	-0.054	1.540	1.490	12,442	1,481
Jun	1.530	-0.049	1.580	1.525	10,827	1,399
Jul	1.570	-0.034	1.580	1.585	11,485	1,383
Aug	1.595	-0.032	1.615	1.580	9,753	720
Total					169,103	30,985

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	57.50	+0.20	57.98	57.25	20,145	11,737
Apr	58.25	-0.01	58.70	58.20	17,276	4,223
May	57.25	-0.05	57.80	57.10	13,881	2,776
Jun	56.60	-0.04	56.80	56.50	4,507	815
Jul	55.95	+0.01	56.16	55.95	2,465	748
Aug	55.80	-	-	-	585	56
Total					58,791	20,150

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.45	-0.30	109.00	108.65	1,224	80
May	110.05	-0.40	110.80	110.00	1,852	64
Jul	111.30	-0.55	111.90	111.75	378	12
Sep	98.30	-0.05	98.25	98.25	143	10
Nov	99.35	-0.05	99.60	99.30	1,755	146
Jan	101.20	-0.03	101.25	101.15	324	90
Total					5,676	476

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	373/2	+3/4	374/0	369/6	33,588	4,565
May	363/6	+2/2	364/4	361/2	13,941	1,707
Jul	342/2	+3/0	342/4	338/0	20,015	1,412
Sep	346/0	+3/0	346/0	343/4	1,358	30
Dec	356/0	+1/4	356/4	353/4	952	45
Mar	361/2	+3/0	-	-	19	3
Total					69,883	7,762

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	233/6	-2/0	235/4	233/4	94,686	31,002
May	241/4	-2/0	243/0	241/2	70,422	10,730
Jul	246/6	-1/6	248/0	246/4	68,457	7,623
Sep	251/4	-1/2	252/4	251/2	10,752	986
Dec	255/6	-1/4	256/6	255/4	53,924	6,963
Mar	262/2	-1/2	263/0	262/2	6,157	329
Total					300,890	58,953

■ BARLEY LCE (£ per tonne)

Mar	102.75	-0.15	102.50	102.50	288	5
May	104.00	-0.15	104.00	104.00	79	7
Sep	97.15		-	-	100	-
Nov	99.05	+0.05	-	-	234	-
Jan	100.65	+0.15	-	-	20	-
Mar	102.45	+0.55	-	-	-	-
Total					721	12

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	549/4	-2/0	551/4	548/2	58,267	10,072
May	558/0	-1/6	560/4	557/6	31,869	3,177
Jul	565/2	-1/2	567/6	565/0	30,337	3,421
Aug	568/2	-0/6	570/2	568/0	3,677	49
Sep	570/0	-0/6	571/6	570/0	2,867	115
Nov	578/2	-0/2	580/2	578/0	18,574	633
Total					149,298	17,466

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	26.62	-0.06	26.84	26.57	35,123	6,939
May	25.87	-	26.00	25.79	25,381	2,422
Jul	25.49	-0.06	25.65	25.40	18,721	1,678
Aug	25.18	-0.13	25.30	25.15	4,546	413
Sep	24.93	-0.10	25.15	24.95	4,676	94
Oct	24.72	-0.10	24.83	24.72	5,999	480
Total					100,676	12,469

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	154.8	-0.2	155.4	154.5	33,072	4,828
May	158.1	-0.1	158.8	157.9	23,738	2,860
Jul	162.3	+0.1	162.7	161.8	18,858	1,215
Aug	164.1	-	164.7	163.7	5,926	271
Sep	166.1	+0.3	166.6	165.6	4,212	78
Oct	167.4	+0.1	168.2	157.3	7,412	101
Total					101,932	10,867

■ POTATOES LCE (£/tonne)

Mar	351.5	-	-	-	-	-
Apr	332.0	-4.3	336.0	325.0	1,058	87
May	354.0	-1.0	-	-	55	-
Jun	250.0	-	-	-	-	-
Total					1,123	87

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1986	+22	1975	1960	429	14
Mar	1975	+14	1970	1955	254	17
Apr	1979	+19	1980	1960	1,432	88
Jul	1746	+10	1745	1735	698	47
Oct	1750	+5	1755	1750	479	17
Jan	1740	-	1740	1740	90	10
Total					3,282	183

	Close	Prev
BFI	1557	1568

Minor Metals
European free market, from Metal Bulletin $ per lb in warehouse, unless otherwise stated (last week's in brackets where changed). Antimony 99.6%, $ per tonne, 5,000-5,200 (4,900-5,100). Bismuth min 99.99% tonne lots 3.60-3.75. Cadmium min 99.95% 155.00-165.00 cents/lb. Cobalt MB free market 99.8% 29.95-30.85 (29.95-30.65): 99.3% 27.80-28.60 (27.80-28.50). Mercury 99.99% $ per 76 lb flask 125-145. Molybdenum drummed molybdic oxide 16.00-16.50. Selenium 99.5% 3.45-4.50. Tungsten ore: standard min 65% $ per tonne unit (10kg) WO3, cif, 50-65. Vanadium min 98%,cif 4.60-4.85 (4.25-4.60). Uranium - Nuexco exchange value : 7.25 (7.20).

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	994	+2	1000	988	32,117	1,005
May	992	+1	1001	986	20,042	1,340
Jul	1003	+1	1007	1000	10,883	560
Sep	1013	-	1010	1009	13,590	114
Dec	1021	-	1027	1019	15,306	374
Mar	1030	+2	1039	1029	13,119	128
Total					114,470	3,478

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1316	-1	1324	1308	20,074	7,900
May	1346	-	1352	1338	25,226	5,425
Jul	1368	-2	1375	1361	10,348	837
Sep	1392	+1	1392	1383	3,613	148
Dec	1412	+1	1413	1401	4,584	122
Mar	1434	+1	1422	1422	6,576	26
Total					79,928	14,763

■ COCOA (ICCO) (SDR's/tonne)

Feb. 6	Price	Prev. day
Daily	987.03	1005.39

■ COFFEE LCE ($/tonne)

Mar	2704	+34	2740	2695	9,355	867
May	2647	+37	2670	2638	8,170	1,460
Jul	2608	+20	2645	2610	3,484	342
Sep	2610	+28	2636	2615	3,299	645
Nov	2614	+27	2635	2630	819	12
Jan	2608	+30	-	-	93	-
Total					38,220	3,326

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	154.00	+0.10	155.65	153.60	13,257	4,845
May	155.95	+0.25	157.50	155.40	11,233	2,652
Jul	157.00	-0.20	158.85	156.60	5,510	803
Sep	157.55	-0.95	158.50	157.50	3,317	120
Dec	157.25	-1.00	159.75	157.25	3,399	182
Mar	158.25	-1.00	158.00	158.00	315	4
Total					37,108	8,709

■ COFFEE (ICO) (US cents/pound)

Feb. 6	Price	Prev. day
Comp. daily	142.33	143.32
15 day average	149.80	150.45

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	14.01	+0.04	-	-	920	-
May	14.04	+0.01	-	-	630	-
Jul	13.40	-1.00	13.40	13.40	630	2,000
Oct	13.53	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					2,080	4,000

■ WHITE SUGAR LCE ($/tonne)

Mar	391.7	+2.2	393.0	390.0	8,570	2,813
May	384.3	+1.3	386.5	383.0	7,907	1,439
Aug	372.3	+1.0	374.0	372.0	6,511	264
Oct	345.5	+0.5	347.7	345.3	2,261	73
Dec	342.5	+0.5	343.5	343.5	149	1
Mar	338.8	+0.5	-	-	572	-
Total					26,065	4,590

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	13.86	+0.12	13.96	13.81	48,458	20,277
May	13.80	+0.10	13.85	13.73	48,067	16,606
Jul	13.05	+0.13	13.12	13.00	33,137	3,754
Oct	12.84	+0.11	12.70	12.58	34,029	3,625
Mar	12.32	+0.08	12.38	12.28	9,551	820
May	12.26	+0.08	12.27	12.27	2,358	70
Total					176,826	45,224

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	89.45	-2.47	92.05	90.15	23,466	8,769
May	89.29	-1.10	90.50	89.02	17,456	3,650
Jul	87.87	-0.83	89.39	87.70	13,590	1,926
Oct	78.35	-0.75	79.00	78.25	4,606	239
Dec	73.92	-0.31	74.40	73.85	15,310	351
Mar	75.03	-0.39	75.50	75.00	1,724	57
Total					76,211	13,493

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	105.20	-0.30	105.50	103.60	13,808	3,224
May	108.35	-0.15	109.50	107.80	4,558	1,188
Jul	113.15	-0.35	112.00	112.00	1,288	610
Sep	116.50	-	116.50	115.80	2,536	348
Nov	115.00	+0.50	118.00	116.00	2,014	10
Jan	116.50	+0.50	-	-	892	99
Total					25,354	5,594

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 7	Feb 6	month ago	year ago
2255.8	2245.4	2256.2	1780.0

■ CRB Futures (Base: 1967=100)

Feb 6	Feb 3	month ago	year ago
231.95	232.29	233.65	227.14

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.650	-0.150	73.925	73.625	14,280	7,434
Apr	73.525	-0.450	74.000	73.200	42,133	8,540
Jun	66.975	-0.325	67.350	66.750	15,690	1,978
Aug	63.825	-0.250	64.200	63.800	6,001	320
Oct	64.800	-0.250	65.050	64.750	1,055	100
Dec	65.825	-0.200	66.050	65.800	701	28
Total					82,985	18,883

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	39.350	+0.200	39.550	39.250	2,968	2,244
Apr	39.025	+0.100	39.400	38.850	14,907	3,824
Jun	44.850	+0.025	45.225	44.750	7,127	910
Aug	43.650	+0.025	44.100	43.600	1,812	80
Oct	41.050	-	41.300	41.050	2,377	141
Dec	41.850	-0.100	42.000	41.800	753	131
Total					32,237	7,293

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	42.200	+0.325	42.400	41.300	1,602	1,387
Mar	42.175	+0.125	42.650	42.050	3,588	1,728
May	43.025	+0.025	43.450	42.900	2,360	688
Jul	43.475	-0.525	44.200	43.250	1,362	01
Aug	41.125	-0.400	42.000	41.125	359	75
Feb	51.500	-0.500	51.500	51.500	52	3
Total					9,422	3,989

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1900	120	173	69	107
2000	73	127	120	158
2100	41	90	187	216
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	160	139	48	110
2800	102	95	89	163
2900	60	66	146	212
■ COFFEE LCE	Mar	May	Mar	May
2650	84	165	30	168
2700	55	145	51	198
2750	84	126	80	231
■ COCOA LCE	Mar	May	Mar	May
975	26	64	7	37
1000	12	42	18	50
1025	5	32	36	65
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	57	85	38	10
1700	98	63	64	60
1750	19	6	88	110

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar) +or-

Dubai	$16.51-6.56x	+0.185
Brent Blend (dated)	$16.98-7.00	+0.01
Brent Blend (Mar)	$17.10-7.12	+0.06
W.T.I. (1pm est)	$18.51-8.53x	+0.10

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$161-163	+3.0
Gas Oil	$151-152	
Heavy Fuel Oil	$104-105	+3.0
Naphtha	$164-166	
Jet fuel	$166-168	
Diesel	$153-154	-1.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

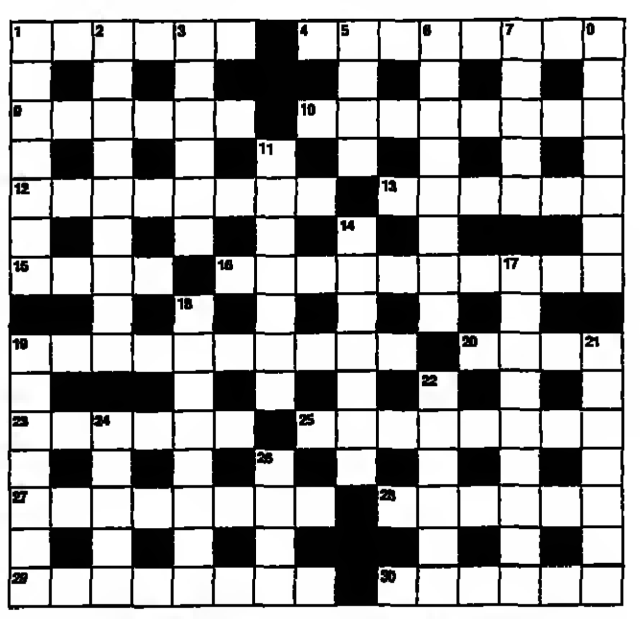
Gold (per troy oz)♣	$374.80	-0.20
Silver (per troy oz)♣	466.50c	+1.00
Platinum (per troy oz.)	$409.25	-4.25
Palladium (per troy oz.)	$156.75	-0.75
Copper (US prod.)	139.00c	
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	14.46m	-0.02
Tin (New York)	258.50c	-4.00
Cattle (live weight)†	120.89p	+1.11*
Sheep (live weight)†♠	120.12p	+1.18*
Pigs (live weight)	87.32p	+1.57*
Lon. day sugar (raw)	$340.10	-11.30
Lon. day sugar (wte)	$392.50	-7.20
Tate & Lyle export	£332.00	-7.00
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	122.0p	-1.0
Rubber (Apr)♥	122.5p	-1.0
Rubber (KL RSS No1)	457.0m	+2.0
Coconut Oil (Phil)§	$637.5y	+7.5
Palm Oil (Malay.)§	$642.5t	+2.5
Copra (Phil)§	$403.0y	
Soyabeans (US)	£167.0q	+1.0
Cotton Outlook'A' index	86.75c	
Wooltops (64s Super)	496p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

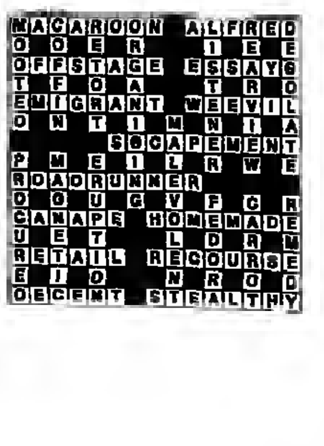
No.8,681 Set by DANTE



ACROSS
1 Current line of agreement (6)
4 Leave no doubt it's a period on strike (5,3)
9 Freshly discovered nebula lacking power (6)
10 Lively maiden at play (8)
12 Observe someone steal money (4,4)
13 No open events in these games? (6)
15 Anthor had retired before fifty (4)
16 The cricketer made another mistake (6,4)
19 Community tax payment? (10)
20 Almost refuse the king (4)
23 Confine one after another, we hear (6)
25 Called into action, despite being crazy (8)
27 Party favourite to gain power (8)
26 Kind of tank that is brought out for new recruits (6)
29 Excellent act worth an encore (4,4)
30 They cut some of the grass (6)

DOWN
1 With only a fag-end Edward was up against it (7)
2 Two attempts needed by a marksman (9)
3 Government regulation (6)
5 Break up vessels (4)
6 Refreshing article in French newspaper (8)
7 Surpass all others as a swindler (5)
8 A place of current conflict (4-3)
11 Academic groups selected – by new masters? (7)
14 Advise a local authority, say? (7)
17 An expert swimmer in the cavalry (9)
18 Instrument certainly shorter when broken (8)
19 Dishing out for a party (7)
21 Speech written on an envelope (7)
22 Four slip out from the revelry, being lustful (6)
24 Play time (5)
26 Round trip to the city (4)

Solution 8,680



Europe strengthens as US inflation concerns fade

By Graham Bowley in London and Lisa Bransten in New York

European government bonds rose yesterday as optimism about a slowdown in US economic growth spread across all markets.

This continued the improving trend of recent days after US Treasuries surged on Friday on the back of weak employment data and comments last week by the Federal Reserve that there are signs of slowing growth in the US economy.

The recent fall in commodity prices also eased fears of rising inflationary pressures, dealers said.

Last week's rise in US and UK short-term interest rates boosted confidence that the authorities are prepared to raise interest rates to pre-empt inflationary pressures. "This optimism is well-founded, with the US economy slowing without any pick-up in inflation, which means that we are close to a peak in US interest rates," said Mr Julian Jessop, international economist at HSBC in London.

■ German government bonds strengthened, with bund futures breaching key technical resistance levels to reach a new high for the year.

The rises came in spite of some nervousness about the current German wage negotiations.

GOVERNMENT BONDS

"There is continued general bullishness in the market in the wake of the US rally and on hopes that the US economy is slowing enough to stop the Fed tightening monetary policy further," said Mr Karl Haeling, at Deutsche Bank in Frankfurt.

The March bund future on Liffe broke through the key 90.80 level to end up 0.40 at 90.95 in late trading. "There is technical strength as well as fundamental opthimism," said Mr Jessop.

■ The French bond market moved higher in line with other markets.

A firmer French franc and short-covering on the three-month Pibor futures contract boosted the short end of the yield curve, said Mr Dominique Barbet, bond strategist at Paribas in Paris.

He said there were buyers of bonds at all maturities, although the short end was particularly well supported.

In the cash market, the yield spread over bunds narrowed to about 57 basis points.

On Matif, futures moved through a key resistance level at 112.30, to settle at 112.84, up 0.36.

■ UK government bonds rose, boosted by industrial production data and a better performance by the pound on foreign exchanges as fears about the UK government's political weakness receded.

Production data showed growth in the UK economy slowing to a more sustainable rate.

Mr Simon Briscoe, at S. G. Warburg, said investors, who stayed out of the market at the Bank of England's last auction at the prospect of further falls in prices, are now likely "to be squeezed into the market" as prices rise.

He said this process began yesterday with buyers across most maturities.

The Bank of England announced a total of £700m of tap issues but this had little impact on prices.

Dealers are waiting for the announcement, expected Friday, of details of the Bank's next auction, which analysts expect to be of either five- or 10-year conventional stock.

In late trading, the long gilt future on Liffe was up ¾ at 102$\frac{25}{32}$, with the spread over bunds narrowing to 128 basis points from 135 basis points.

■ Positive comments from a member of the Federal Reserve's Board of Governors and hopes that price pressures at low levels in the production cycle might not translate into inflation sent US Treasury prices firmly higher yesterday morning.

At midday, the benchmark 30-year Treasury was up $\frac{1}{4}$ at 98$\frac{17}{32}$, to yield 7.619 per cent. At the short end of the market, the two-year note rose $\frac{1}{16}$ to 100$\frac{13}{32}$, yielding 7.154 per cent.

Bond market investors sent Treasuries up across the spectrum in early morning trading after Mr John LaWare, a member of the Federal Reserve's Board of Governors, indicated late on Monday that he believed inflationary pressures were under control.

Mr LaWare told reporters the central bank might wait to see the effects of recent tightenings before implementing another interest rate increase.

Later in the morning, bonds received another boost from higher-than-expected gains on non-farm productivity of 1.8 per cent for the fourth quarter.

According to the Labor Department, US productivity increased 2.2 per cent last year versus 1.5 per cent in 1993, which helped keep the increase in unit labour cost down to 0.9 per cent last year, the smallest increase in more than 30 years.

The figure is important to bond traders because wages remained low although 1994 job growth was the strongest in a decade.

Also helping the market was optimism about the beginning of the Treasury department's quarterly refunding operations. The Treasury was to sell $40bn of new securities on the market this week, beginning with the afternoon auction of $17bn in three-year notes.

It was to sell $12bn in 10-year notes today and $11bn in long bonds tomorrow.

Glaxo announces £8.1bn loan details

By Martin Brice

Glaxo has revealed details of the biggest loan in UK corporate history. The company raised £8.1bn ($12.6bn) to fund its bid for Wellcome, a fellow UK drugs group.

Ten banks are being paid 20 basis points over the London interbank offered rate for the three-year multi-currency revolving credit facility.

They are also receiving a commitment fee of 10 basis points over Libor on the unused part of the facility.

Some bankers not connected with the deal were yesterday suggesting that Glaxo may have paid a small premium for the funds. A price of 15 basis points over Libor was paid in November by East Midlands Electricity for a five-year loan.

Bankers also believe Glaxo has paid banks in the Wellcome loan en arrangement fee of 7½ basis points.

Details of the loan were published yesterday by Glaxo in its offer document. The company said it opened talks late last year with banks about funding a bid.

It opted for a series of one-off bilateral agreements with banks. Bankers lending to Glaxo knew only that a large acquisition was likely.

The facilities were taken up a week before the bid, and bankers were not told the identity of the target until the Friday before the Monday on which the bid was announced.

Glaxo has agreed with the banks that it will not make another acquisition of £400m or mors during the life of the loan. It has also agreed that earnings before interest and tax will be at least three times the interest paid on the loan.

Banks underwriting £900m in the deal are: Citibank, Crédit Suisse, Dai-Ichi Kangyo, Deutsche, J.P. Morgan, National Westminster, SBC and UBS. Midland and HSBC have also agreed to underwrite a total of £900m.

Portugal to set regular auctions

Portugal will adopt a regular calendar for sales of fixed-rate treasury bonds, Reuter reports from Lisbon.

The government will offer Esc60bn of bonds each month in separate auctions of three, five and 10-year paper, the finance ministry said.

The treasury would auction Esc20bn of 10-year bonds on the first Thursday of each month, Esc20bn of three-year bonds on the second Thursday and Esc20bn of five-year bonds on the fourth.

The Portuguese government has until now held Thursday bond auctions on an ed hoc basis, seldom announcing new auctions more than a week in advance.

EIB raises L600bn in four-year sector

By Martin Brice

Few ventured into the eurobond market yesterday as investors and borrowers watched the US Treasury's quarterly refunding.

The postponed five-year dollar deal for Chugoku is expected soon. The IFC $400m 10-year deal brought on Monday via BZW and SBC was said by other syndicates to have gone well.

INTERNATIONAL BONDS

The European Investment Bank brought a L600bn deal via joint bookrunners BCI, CSFB, San Paolo and Deutsche Bank. Deutsche Bank said one reason for the deal's success may have been a change in market sentiment. A syndicate manager said: "Investors are looking for value. Until very recently, they have been looking to defend themselves. The destabilising factors have gone. An element of confidence has returned to the market."

The EIB deal carried a coupon of 10.8 per cent with a four-year maturity, and strong demand was reported from Italy, Switzerland and the Benelux region, mostly coming from retail investors, with some institutional buying.

IBJ brought its first dollar denominated equity warrant transaction, and the first warrant deal from a bank rather than a securities house when it handled the $100m four-year offering from Dowa Mining, the Japanese metals group. Demand was said to be mostly institutional, from Europe, Asia and the UK.

Dresdner International Finance raised Fl 500m with a five-year deal handled by joint books Dresdner Bank and ABN Amro Hoare Govett. The five-year bonds carried a coupon of 7.25 per cent and were brought at a spread of 12 basis points over the comparable Dutch government bond.

Demand came from retail investors in Switzerland and the Benelux region, said ABN Amro. The deal was triggered by the performance of the ABN Amro Fl 300m deal brought on January 9 at 18 basis points over the comparable government bond.

AIDC brought A$100m of three-year bonds carrying a coupon of 4.5 per cent via Nomura.

The deeply-discounted bonds carried a yield to maturity of 9.29 per cent. Legrand, the French electrical group, raised $400m with a 30-year Yankee via J. P. Morgan.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Dowa Mining(a)♦	100	4.25	100.00	Mar.1999	2.25	-	IBJ International
ITALIAN LIRE							
European Investment Bank	600bn	10.80	101.45	Mar.1999	1.60	-	BCI/CSFB/D'sche/San Paolo
GUILDERS							
Dresdner International Finance	500	7.25	99.675R	Mar.2000	0.25R	+12(6¼%-00)	ABN Amro/ Dresdner Bank
LUXEMBOURG FRANCS							
LB Schleswig-Holstein	2bn	8.25	102.625	Apr.2005	2.00	-	Crédit Européen
AUSTRALIAN DOLLARS							
AIDC*	100	4.50#	88.10	Feb.1998	1.375	-	Nomura International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ♦With equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Pricing: 14/2/95.

Government bond issuance seen rising

By Richard Lapper

Gross issuance of global government bonds is expected to rise significantly in 1995, according to J.P. Morgan.

The bank forecasts that the gross amount of bonds by OECD countries will rise to $1,475bn in 1995 from $1,344bn in 1994. Japanese issuance is expected to increase by more than 34 per cent to $406.4bn, with net issuance (gross new issuance minus redemptions) rising to $171.7bn, partly because of government funding for reconstruction following last month's earthquake.

The bank forecasts that issuance will rise in Germany, the Netherlands, Denmark, Sweden, Italy and Australia bnt fall in the US, Belgium, Spain, France, Canada and the UK.

Net issuance from the US is expected to total $130bn; Italy $60.7bn; Germany $56.6bn; France $46.9bn; UK $37bn; the Netherlands $23.9bn; Sweden $17.4bn; Belgium $14.2bn; Canada $12.1bn; Australia $8.9bn; Spain $7.9bn; and Denmark $6.8bn. Relative to GDP, gross supply is relatively high in Italy (14.6 per cent), Denmark (13.4 per cent) and Sweden (13.9 per cent).

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	08/04	92.8100	-0.920	10.19	10.42	9.99
Austria		7.500	01/05	99.1300	+0.180	7.63	7.69	7.66
Belgium		7.750	10/04	97.0100	+0.320	8.20	8.34	8.32
Canada *		9.000	12/04	100.3500	+0.200	8.94	9.30	8.99
Denmark		7.000	12/04	88.3700	+0.200	8.81	8.97	8.94
France	BTAN	8.000	05/98	101.0800	+0.060	7.59	7.80	7.27
	OAT	7.500	04/05	96.8200	+0.480	7.96	8.11	8.11
Germany Bund		7.375	01/05	100.0300	+0.340	7.37	7.44	7.50
Ireland		6.250	10/04	83.9500	+0.500	8.79†	8.79	8.78
Italy		8.500	08/04	86.5700	+0.100	10.80	12.01	11.88
Japan	No 119	4.800	06/99	103.0570	-	3.99	3.77	3.66
	No 164	4.100	12/03	96.5210	+0.120	4.66	4.88	4.54
Netherlands		7.250	10/04	98.0900	+0.280	7.53	7.59	7.65
Portugal		8.875	01/04	84.0000	-	11.85	11.84	11.82
Spain		10.000	02/05	91.1600	+0.470	11.45	11.72	11.69
Sweden		6.000	02/05	71.9400	+0.620	10.71	11.01	10.75
UK Gilts		8.000	08/99	91-05	+13/32	8.41	8.50	8.46
		8.500	12/05	100-05	+21/32	8.48	8.57	8.46
		8.000	10/08	104-09	+25/32	8.46	8.55	8.45
US Treasury *		7.875	11/04	102-17	+4/32	7.50	7.64	7.74
		7.500	11/24	98-17	+7/32	7.62	7.74	7.76
ECU (French Govt)		6.000	04/04	85.1200	+0.310	8.36	8.54	8.50

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	0	One month	5.13	Two year	7.17
Broker loan rate	8½	Two month	5.60	Three year	7.32
Fed.funds	5$\frac{13}{16}$	Three month	5.98	Five year	7.44
Fed.funds at intervention	-	Six month	6.37	10-year	7.51
		One year	6.78	30-year	7.82

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.88	112.34	+0.36	112.42	111.86	175,952	140,140
Jun	111.00	111.46	+0.36	111.52	111.00	427	8,762
Sep	110.30	110.74	+0.34	110.70	110.30	254	1,521

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
109	3.30	-	-	0.02	0.58	-
110	2.35	-	-	0.05	0.80	1.55
111	1.45	1.80	1.75	0.13	1.15	2.02
112	0.68	1.08	-	0.39	-	-
113	0.22	0.64	-	0.90	-	-

Est. vol. total, Calls 33,279 Puts 37,379 . Previous day's open int., Calls 181,331 Puts 178,496.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.52	90.87	+0.32	91.02	90.49	163160	211867
Jun	90.02	90.34	+0.31	90.43	90.02	812	8021

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9050	0.58	0.69	0.78	0.93	0.21	0.75	0.84	1.09
9100	0.30	0.39	0.58	0.72	0.43	1.05	1.24	1.38
9150	0.13	0.25	0.42	0.54	0.78	1.41	1.58	1.70

Est. vol. total, Calls 21042 Puts 16945. Previous day's open int., Calls 0 Puts 0

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.45	100.69	+0.27	100.78	100.37	30429	56044
Jun	99.80	99.78	+0.29	99.85	99.68	1213	688

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10050	0.66	1.50	0.47	2.22
10100	0.41	1.29	0.72	2.50
10150	0.24	1.08	1.05	2.80

Est. vol. total, Calls 3240 Puts 3485. Previous day's open int., Calls 0 Puts 0

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.33	85.69	+0.32	85.93	85.32	61,659	45,969
Jun	85.40	84.16	+0.85	85.40	85.40	298	821

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-28	102-18	+0-23	102-24	101-25	85195	92240
Jun	102-08	102-25	+0-23	102-30	102-08	296	2385

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
102	0-58	2-09	0-22	1-23
103	0-23	1-38	0-51	1-62
104	0-06	1-10	1-34	2-24

Est. vol. total, Calls 8610 Puts 7536. Previous day's open int., Calls 0 Puts 0

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.86	82.20	+0.30	82.30	81.86	2,896	7,380
Jun	81.68	81.94	+0.30	81.82	81.68	3	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-11	102-20	+0-07	102-23	102-08	198,725	364,159
Jun	102-00	102-04	+0-07	102-05	101-23	6,815	38,220
Sep	101-23	101-23	-	101-23	101-23	2,435	6,084

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.65	-	-	108.70	108.65	2682	0
Jun	107.95	-	-	107.95	107.92	304	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 7	Day's change %	Mon Feb 6	Accrued interest	xd adj. ytd		Low coupon yield Feb 7	Feb 6	Yr. ago	Medium coupon yield Feb 7	Feb 6	Yr. ago	High coupon yield Feb 7	Feb 6	Yr. ago
1 Up to 5 years (23)	119.34	+0.24	119.06	1.74	1.40	5 yrs	8.48	8.57	5.82	8.48	8.58	6.07	8.65	8.75	0.17
2 5-15 years (22)	140.55	+0.61	139.70	1.88	1.59	15 yrs	8.37	8.46	6.66	8.49	8.58	6.78	8.59	8.78	6.94
3 Over 15 years (9)	156.83	+0.89	155.44	0.95	2.98	20 yrs	8.34	8.42	0.78	8.49	0.58	8.78	8.59	8.69	6.95
4 Irredeemables (6)	180.60	+0.71	179.34	2.78	0.00	Irred.†	8.41	8.47	8.74						
5 All stocks (60)	137.30	+0.56	136.55	1.78	1.74										

Index-linked							Inflation 5% Feb 7	Feb 6	Yr. ago	Inflation 10% Feb 7	Feb 6	Yr. ago
6 Up to 5 years (2)	188.99	+0.22	190.03	0.35	1.46	Up to 5 yrs	3.69	3.79	2.35	2.43	2.52	1.51
7 Over 5 years (11)	175.30	+0.49	174.44	0.71	0.58	Over 5 yrs	3.85	3.88	3.04	3.66	3.70	2.87
8 All stocks (13)	175.82	+0.48	175.14	0.67	0.88							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Yr ago	High*	Low*
Govt. Secs. (UK)	92.12	91.37	91.23	91.36	91.53	105.05	107.04	89.54
Fixed Interest	109.74	109.57	109.58	109.82	109.84	129.73	233.87	108.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31
Gilt Edged bargains	81.7	94.5	102.5	87.2	97.4
5-day average	92.7	95.5	97.6	98.5	105.4

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	6.11	99$\frac{7}{16}$	—	103¾	97¼
10¼pc 1995		10.09	6.71	101$\frac{9}{16}$	—	107$\frac{9}{16}$	101$\frac{7}{16}$
Treas 12¾pc 1995‡‡		12.22	6.81	104½	—	113¾	104½
14pc 1996		13.17	7.06	106$\frac{5}{16}$	—	117$\frac{1}{16}$	106$\frac{5}{16}$
15¼pc 1996‡‡		13.97	7.34	109¼	—	121$\frac{13}{16}$	109¼
Exch 13¼pc 1996‡‡		12.41	7.50	[illegible]		[illegible]	[illegible]
[illegible]							
Conversion 9½pc 2004		8.97	8.58	105$\frac{7}{8}$	+$\frac{11}{16}$	125$\frac{5}{16}$	101$\frac{13}{16}$
Treas 6¾pc 2004‡‡		7.81	8.47	86$\frac{13}{32}$	+$\frac{11}{16}$	105¼	84$\frac{13}{16}$
8½pc 2005		8.48	8.45	100$\frac{1}{4}$	+$\frac{11}{16}$	190$\frac{1}{2}$	97
Conv 9½pc 2005		8.94	8.55	106$\frac{1}{4}$	+$\frac{11}{16}$	125½	102¼
Treas 12½pc 2003-5		10.29	8.61	122$\frac{1}{16}$	+$\frac{11}{16}$	143$\frac{7}{16}$	118¼
7¾pc 2006‡‡		8.19	8.47	94$\frac{1}{2}$	+$\frac{11}{16}$	112$\frac{13}{32}$	90¼
[illegible]							
Index-Linked (b)							
2pc '96	(67.9)	3.18	3.73	203$\frac{1}{2}$	+$\frac{1}{16}$	203$\frac{13}{16}$	197$\frac{13}{16}$
4⅝pc '98‡‡	(135.6)	2.74	3.58	109¼	+¼	113$\frac{1}{16}$	106$\frac{1}{16}$
2½pc '01	(78.3)	3.37	3.79	167$\frac{1}{4}$	+$\frac{11}{16}$	176¾	163½
2½pc '03	(78.8)	3.47	3.87	163$\frac{1}{2}$	+$\frac{11}{16}$	173¼	159$\frac{1}{4}$
4⅝pc '04‡‡	(135.6)	3.49	3.81	108¼	+$\frac{11}{16}$	118¾	107¼
2pc '06	(69.5)	3.59	3.82	170$\frac{1}{4}$		184$\frac{1}{4}$	165$\frac{1}{4}$
[illegible]							
Other Fixed Interest							
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	Cpn
[illegible]				

CONVERTIBLE BONDS	Cnv. price	Bid	Offer	Prem.
[illegible]				

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Attention focuses on dollar bloc currencies

Weakness in the Australian and New Zealand dollars, and a recovery in the Canadian dollar, were the features of currency trading yesterday, *writes Philip Gawith*.

The Australian dollar was hit by a sell-off in commodity markets, and took the New Zealand dollar with it. The Australian dollar lost nearly half a cent against the dollar to close in London at 74.58 US cents, from 75.04 cents. The New Zealand dollar finished at 63.15 US cents, from 63.28 cents.

Tough weekend comment from the finance minister about the forthcoming budget helped the Canadian dollar, which finished at C$1.3951, from C$1.3978, against the dollar.

The US currency itself gained half a pfennig against the D-Mark, finishing at DM1.5355, from DM1.5309. The firmer dollar has taken some pressure off weaker European currencies, with the lira and the peseta both firmer.

Sterling had a steady day following recent losses, with the new trade weighted index finishing unchanged at 87.8. It was slightly firmer against the D-Mark at DM2.3912, from DM2.3882, but weaker against the dollar, finishing at $1.5573 from $1.56.

The South African financial rand, meanwhile, was helped through the four-rand barrier against the dollar. Sentiment was boosted by comments in Australia from Mr FW de Klerk, the deputy-president, about the appropriate circumstances for merging the commercial and financial rands.

■ The Australian dollar hit a three month low, and is possibly heading lower, having breached key chart levels.

Apart from a retreat in world commodity prices, analysts said the dollar was also the victim of some heavy selling pressure, and disappointment that the government had ruled out a near-term increase in interest rates.

Sentiment was further depressed by Merrill Lynch advising clients to cut their exposure to the dollar, from an overweight 3 per cent, to a neutral 1 per cent.

As with the Australian dollar, the New Zealand dollar has enjoyed a fairly lengthy rally. Analysts said both currencies were now vulnerable to a downward correction.

■ Although the pound remained fairly weak, this did not deter a rally in sterling interest rate markets. The June short sterling contract finished seven basis points firmer at 92.36.

Mr Tony Norfield, UK treasury economist at ABN AMRO bank in London, said there appeared to be some inflation optimism ahead of the Bank of England's inflation report, which is released today. There is also an element of "catch-up" with US markets, which are now more sanguine about the inflation outlook.

Mr Norfield commented: "The Bank of England argument that futures markets are too pessimistic about inflation seems finally to be winning through."

Money market conditions remain easy, with three month money offered at 6¾ per cent, the same as the base rate. In its daily operations the Bank of England supplied UK markets with £312m assistance at established rates, after forecasting a £650m shortage. It also provided £55m late assistance.

■ The D-Mark was weaker against most European currencies, partly reflecting dollar strength, and partly concern that a difficult wage round lies ahead. Despite some militant union rhetoric, there is scepticism among analysts as to whether unions have the muscle to drive a hard bargain.

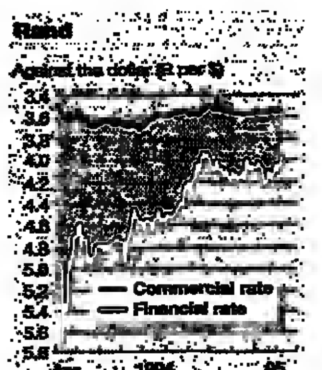
Concern that inflationary wage settlements could force the Bundesbank towards an early tightening is thus limited.

The improvement in dollar sentiment has also taken pressure off some European currencies. Mr Joe Prendergast, analyst at Paribas Capital Markets, said there had been an unwinding of the "considerable amount of speculative safe-haven flows, especially into the D-Mark and Swiss franc."

European currencies have also been helped, said Mr Prendergast, by last week's Mexican support package, which helped defuse some of the tension in global capital markets.

Against this backdrop, the peseta rallied, buoyed by comments from Mr Jordi Pujol, the Catalan leader, that Mr Felipe Gonzalez, the prime minister, could depend on his support at least for the following year. The peseta finished at Pta86.2, from Pta86.73.

Rand



Source: FT Graphite

■ Pound in New York

Feb 7	Latest	Prev. close
£ spot	1.5570	1.5600
1 mth	1.5564	1.5594
3 mth	1.5562	1.5581
1 yr	1.5490	1.5503

■ OTHER CURRENCIES

Feb 7	£	$
Hungary	177.825 - 178.049	114.216 - 114.310
Iran	2720.00 - 2729.00	1748.00 - 1750.00
Kuwait	0.4657 - 0.4680	0.2991 - 0.2992
Poland	3.8193 - 3.8270	2.4530 - 2.4570
Russia	6461.20 - 6485.90	4149.00 - 4152.00
U.A.E.	5.7181 - 5.7211	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Feb 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8298	+0.0294	234 - 361	16.8403	16.7840	16.8173	0.9	16.7886	1.1	-	-	105.4
Belgium	(BFr)	49.2029	+0.0628	856 - 202	49.2330	49.0570	49.1529	1.2	49.0379	1.3	48.5779	1.3	107.1
Denmark	(DKr)	9.4094	-0.0019	043 - 124	9.4211	9.3696	9.4026	0.7	9.3912	0.7	9.3537	0.6	106.7
Finland	(FM)	7.3761	+0.0068	682 - 816	7.3960	7.3580	-	-	-	-	-	-	84.2
France	(FFr)	8.2755	-0.0014	723 - 785	8.2792	8.2547	8.2683	1.0	8.2554	1.0	8.1857	1.1	107.2
Germany	(DM)	2.3912	+0.003	902 - 922	2.3946	2.3844	2.3883	1.5	2.3815	1.3	2.347	1.6	109.0

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8070	+0.0375	050 - 090	10.8090	10.7550	10.7995	0.8	10.7797	1.0	10.647	1.5	105.3
Belgium	(BFr)	31.5950	+0.095	900 - 000	31.6150	31.4500	31.5725	0.8	31.52	0.3	31.3	0.9	107.0
Denmark	(DKr)	6.0416	+0.0085	400 - 429	6.0491	6.0194	6.0397	0.3	6.0365	0.3	6.0265	0.2	105.6
Finland	(FM)	4.7358	+0.0117	323 - 393	4.7422	4.7178	4.7331	0.7	4.7288	0.6	4.7183	0.4	83.3
France	(FFr)	5.3140	+0.0083	130 - 150	5.3180	5.2910	5.3114	0.6	5.3074	0.5	5.2865	0.5	108.5
Germany	(DM)	1.5355	+0.0046	351 - 358	1.5377	1.5277	1.5342	1.0	1.5312	1.1	1.5158	1.3	108.4

-0.0004	500 - 504	3.7504	3.7500	3.7528	-0.8	3.7581	-0.8	3.7677	-0.5	-
+0.0005	815 - 825	1.4696	1.4607	1.457	4.1	1.4517	2.8	1.4283	2.3	-
-	485 - 500	3.5586	3.5475	3.5843	-5.1	3.5953	-5.2	3.7513	-5.7	-
-0.052	750 - 950	4.0150	3.9750	4.0125	-8.3	4.0625	-7.8	4.295	-7.8	-
-0.85	100 - 200	790.800	789.300	793.15	-4.6	796.65	-3.3	816.15	-3.2	-
+0.001	880 - 900	26.2900	26.2790	26.308	-0.9	26.348	-0.9	-	-	-
+0.005	700 - 800	25.0800	25.0700	25.0875	-0.6	25.1015	-0.4	25.1275	-0.2	-

... in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market ... UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 6. Base average 1990=100

WORLD INTEREST RATES

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.56	95.61	+0.08	95.62	95.56	3658	14907
Sep	95.30	95.34	+0.08	95.38	95.30	880	8152
Dec	95.06	95.07	+0.04	95.08	95.07	297	5349

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.68	93.73	+0.06	93.74	93.68	1485	9965
Jun	93.20	93.24	+0.08	93.24	93.20	944	6398
Sep	92.76	92.81	+0.07	92.82	92.76	214	3574
Dec	92.40	92.42	+0.08	92.42	92.38	315	1884

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

SINO LAND COMPANY LIMITED

(a company incorporated in Hong Kong with limited liability)

US$200,000,000 5% Convertible Bonds due 2000

(The "Bonds")

NOTICE TO BONDHOLDERS

The Directors of Sino Land Company Limited ("the Company") announced on 25 January 1995 that the spin-off of the hospitality interests would be effected by a bonus distribution of the entire issued share capital of the new hotel holding company, SINO HOTELS (HOLDINGS) LIMITED ("Sino Hotels"), to shareholders of the Company, whose names are on the register of members on 27 February 1995 in the porportion of one Sino Hotels share of HK$1.00 for every four shares in the Company.

This bonus distribution of Sino Hotels shares to shareholders whose names appear on the register of members of the Company at the close of business on 27 February 1995 will be despatched on 1 March 1995 subject to the shareholder approval at the Extraordinary General Meeting at 9.30 a.m. on 27 February 1995 at the Pacific Rooms 9/F., R.P. Hotels, 33 Canton Road, Kowloon. The register of members of the Company will be closed from 20 February 1995 to 27 February 1995, both days inclusive.

The Bond conversion price, under the terms and conditions of the Bonds, following the Bonus Share Dividend for the financial year ended 30 June 1994 was reduced from HK$6.86 to the current price of HK$6.20 effective 30 November 1994. The Bond conversion price will be further adjusted to take account of this bonus distribution of Sino Hotels shares. This further adjustment from HK$6.20 cannot be ascertained until the fair market value of the portion of the bonus distribution attributable to one share of the Company on 27 February 1995 is determined by Jardine Fleming International Inc. as an independent merchant banker. A further announcement of the new adjusted conversion price will be made on a date following 27 February 1995.

Since the document introducing Sino Hotels shares on the Hong Kong Stock Exchange will not be registered under any applicable securities legislation of any other jurisdiction other than Hong Kong, no distribution of Sino Hotels shares will be made to any of the Company's shareholders whose registered address at 27 February 1995 is outside Hong Kong. Arrangements will be made for the Sino Hotels shares which would otherwise have been distributed to such shareholders to be sold in the market as soon as practicable after dealings in the Sino Hotels shares commence. Any net proceeds of sale, after deduction expenses, will be distributed in Hong Kong dollars to such persons at their own risk pro rata to their respective entitlements, unless the amount falling to be distributed to any such person is less than HK$100, in which case it will be retained for the benefit of the Company or its holding Company, Tsim Sha Tsui Properties Limited, as the case may be.

Registered holders of existing Bonds who wish to exercise their conversion rights attaching to their Bonds so as to participate in the bonus distribution of Sino Hotels shares should complete and sign the conversion forms and lodge the same together with the Bond certificates to their agent on or before 15 February 1995 only if after conversion the registered address is in Hong Kong. If after conversion the registered address is outside Hong Kong, arrangements to receive an amount in Hong Kong dollars equal to the sale of the Sino Hotels shares will be made as described above. In accordance with Condition 6(B) of the terms and conditions of the Bonds, any lodgement between 15 February 1995 to 24 February 1995, both days inclusive, by the Bondholders will entitle them to the Equivalent Amount. The Equivalent Amount will be equal to either:

(a) such Sino Hotels shares as the Bondholder would have been entitled to receive had he been the Company's shareholder on 27 February 1995; or

(b) if it is not possible for the Company to distribute such Sino Hotels Shares, then the Hong Kong Dollar cash equivalent.

By Order of the Board
Eric Ip Sai Kwong
Company Secretary
Hong Kong

February 9, 1995
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Baring 8pc Cn 2nd Prf		98	+1	117	86¾	12.2	10.2	–
9¼pc Non-Cum Prf		119¼	+¼	137½	107	47.3	10.3	–
Cater Allen	♣†N□	440	—	*690¼	436	144.4	8.0	9.1
Close Bros	♣N	229	—	*286½	208	222.3	4.2	18.1
Gerrard & Nat	♣†N□	408	—	515	395	227.8	6.4	13.8
Hambros	♣N□	236	—	473	209	420.1	7.8	14.0
7½pc Cv Pf		108½	—	191	99½	139.8	8.8	–
Joseph (L)	♣†N	303	—	443	303	20.8	6.8	11.4
King & Shaxson	♣N	97	—	170	90	16.9	11.6	9.6
Kleinwort Benson	♣†N□	620	—	893	424	827.1	3.8	10.9
Rea Bros	♣†N□	84	—	78	93	26.6	1.8	17.9
Schroders	♣†N□	1485	+36	1674	1050	1,483	1.6	13.6
N/V	†N	1335	+12	1498	1043	387.1	1.7	12.2
Singer & Fried	♣†N□	80	—	114	75	105.1	4.8	10.9
Union	♣†N□	80	—	*199	87	23.4	8.4	8.1
Warburg (SG)	♣N□	748	—	1012	589	1,846	3.7	13.7
Wintrust	♣†N	228	—	390	203	19.4	3.8	15.0

BANKS, RETAIL

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Abn Amro Fl	□	£22⅜	+⅜	£26⅝	£19⅜	5,790	5.1	8.8
ANZ A$		221	+7	278¼	171	2,993	5.4	φ
Abbey National	†N□	429	+4	523	380½	5,626	4.5	14.4
Allied Irish I£	♣†N□	270	+4	314	233	1,788	4.7	10.4
Anglo Irish I£	N□	51	—	*70	56	175.5	8.7	10.3
Asahi Y	□	701¼	+15¼	819¼	626	17,443	0.6	φ
Banco Bil Viz Pta	□	£18⅝	+⅜	£27	£14½	3,838	2.9	7.4
Banco Sant Pta		£23¾	—	*£30½	£23¼	3,606	5.6	6.8
Bk Ireland I£	†N□	310	+2	*319	240	1,475	4.7	9.0
Bank Scotland	♣†N□	200	+3	247	172½	2,412	3.2	11.8
9¼pc Pf		119½	+¼	141½	106	119.5	9.7	–
9¾pc Pf		126½	+1	148½	111¼	126.5	9.7	–
Barclays	♣†N□	598	+4	640	497	9,744	3.8	14.0
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	+ or –
Sycamore	□	20	—
Tarmac	N□	114½	–½
Tilbury	♣N	1572	—
Travis Perkins	†N□	200	—
Tudor	♣N	28	—
Unigroup	□	35	–1
Universal Ceramic	LN□	60	—
Waterhouse	♣	42	—
Wickes	†N□	99	—
Wolseley	♣N□	783	+4

CHEMICALS

	Notes	Price	+ or –
AGA SKr	□	£9⅝	–⅛
Akzo Fl	□	£73½	+⅛
Allied Colloids	†N□	116xd	–2
Amber Ind	†N	700	—
BASF DM	□	£130¼	+1⅞
BOC	♣N□	719	—
BTP	♣†N□	276xd	–1
Bayer DM	□	£162⅞	+1⅝
Brent	N□	107	—
British Vita	†N□	218	—
Cambridge Iso S	♣	31	—
Canning (W)	♣N□	167	—
Cassidons	♣N	38	—
Warrants		13	—
Courtaulds	†N□	422	+5
Croda	†N□	352	–2
Doeflex	♣N	128	—
Engelhard $		£17⅛	+½
European Colour	♣†N□	65	—
Gibbon	♣N	118xd	—
Hickson	♣N□	127	—

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28	—	£34	£13½	1,882	2.5	21.2
Barlow		£25½	-⅛	£25¾	£23½	1,097	1.8	16.4
Gold Fds Prop 5		144½	—	182	75	14.7	7.5	ϕ
NK Props		98	—	98	85	3.42	14.3	-
SASOL		592	-7	682	290	2,895	2.8	-
SA Brews		£14¼	-⅛	£16½	£18	4,007	2.0	22.3
Tiger Oats		725	—	838	538	1,090	2.1	16.8
Tongaat-Hulett		782	—	*782	356¼	694.5	1.6	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Figures based on BMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT4040. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON STOCK EXCHANGE

MARKET REPORT

Further gains but support falters at the close

By Terry Byland, UK Stock Market Editor

Hopes that the domestic interest rate cycle is nearing its peak continued to drive share prices ahead in London yesterday, taking the FT-SE 100-share Index to a close within four points of the January peak. However, the equity market had come back smartly from the day's highest levels after early deals on Wall Street had shown the Dow Average turning away from challenging its own all-time peak.

The UK December industrial production data, showing a monthly rise of 0.8 per cent, were regarded as confirming that economic growth is slowing, and thus reducing pressures for further increases in base rates. Equities, which had been firm but uncertain at first, began to move higher, encouraged by gains in gilts and in other European bond markets. "The strength of gilts is the key to the rise in equities," commented one leading trader.

At best, the market was nearly 25 points np on the Footsie scale, drawing renewed strength at mid-session from a buying programme. But when the US markets opened, profit-takers appeared from New York.

The final reading put the FT-SE 100 at 3,072.7 for an advance on the day of 10.7. Trading in the stock index futures contracts set the pace for underlying equities. The broader market again found support, the FT-SE Mid 250 Index putting on 11.3 points for a final 3,407.1.

The overall picture masked sharp movements in particular sectors. Brewery shares fell heavily after the Office of Fair Trading said it would examine differences between wholesale beer prices charged to brewers' tied and also independent customers. This could threaten some brewing profits and there were widespread falls in the big names.

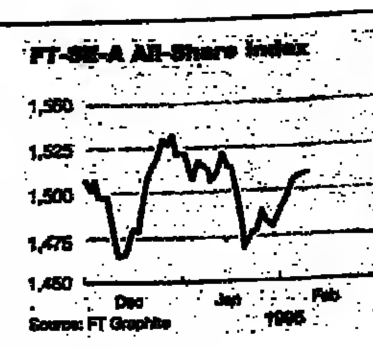
Although views were evenly divided on whether or not the Trafalgar House bid for Northern Electric will be put before the UK monopolies authorities, speculation reigned among the regional electricity issues. However, profit-taking from US houses cut into early gains.

Good profits from Glaxo were upstaged by its publication of the formal offer document in connection with its £9bn-plus bid for Wellcome. Both shares eased as the clock began to tick for the three-week period before the bid must become operative; the European Commission's announcement thet it was reviewing any monopoly implications of the bid plan gave further reason for caution. On balance, the stock market believes the bid will go through, but Wellcome still has three weeks to find a "white knight" or persuade Glaxo to increase its terms.

Seaq volume rose to 570.1m shares from Monday's 420.6m, while the retail, or customer, value of the previous session, at £1.3bn, underlined the weight of money available to the equity market.

One of the London market's leading agency brokers joined the bullish party yesterday, supporting the view that equities may be on the brink of a sharp rise. However, optimism was checked in late dealings by predictions from US economists that the Federal Reserve may still raise interest rates at least once more this cycle.

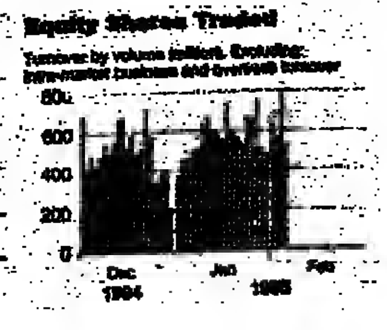
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3072.7	+10.7
FT-SE Mid 250	3407.1	+11.3
FT-SE-A 350	1530.4	+5.3
FT-SE-A All-Share	1513.05	+4.84
FT-SE-A All-Share yield	4.06	(4.07)
FT Ordinary Index	2333.0	+12.7
FT-SE-A Non Fins p/e	17.74	(17.71)
FT-SE 100 Fut Mar	3077.0	+8.0
10 yr Gilt yield	8.56	(8.65)
Long gilt/equity yld ratio:	2.12	(2.14)

Best performing sectors

1. Transport .... +1.5
2. Life Assurance .... +1.2
3. Engineering, Vehicles .... +1.2
4. Gas Distribution .... +0.9
5. Electricity .... +0.9

Worst performing sectors

1. Breweries .... -3.1
2. Extractive Inds .... -0.8
3. Pharmaceuticals .... -0.8
4. Building & Const .... -0.6
5. Consumer Goods .... -0.4

Brewers hit by OFT

The market spotlight fell on the drinks sector as brewing stocks tumbled after the UK Office of Fair Trading (OFT) launched an inquiry into wholesale beer prices. The investigation centres on the different prices charged by brewers to their tied public houses and to (untied) free houses.

The announcement took the market by surprise and found many analysts in the sector away on a trip to Vaux, the north-east England brewer. Available sector specialists said they would be downgrading profits expectations as the impact of the enquiry may reduce profits by between 1.5 and 5 per cent among the leading companies.

Among individual stocks, Whitbread was by far the day's biggest casualty, diving 28 to 536p in a heavy 4.5m shares traded. The group has the biggest number of tied public houses and specialists were predicting that the investigation could lead to a 5 per cent fall in profits.

Bass declined 20 to 520p on volume of 6.6m, Scottish & Newcastle 12 to 497p, Allied Domecq 5 to 515p and Vaux 3 to 225p.

A specialist said: "This enquiry questions tied tenancies among public houses and could lead to a sell-off of many pubs."

Looking at the sector's prospects in the short term, Mrs Julie Bower at Hoare Govett commented: "It is difficult to see any upside among these stocks as this investigation will be overhanging."

Shares in Grand Metropolitan improved 6 to 381p after the European Commission said it had suspended its review into the hotels and drinks group's beer supply joint venture pending the OFT's investigation.

Glaxo weakens

Pharmaceuticals leader Glaxo elid 12 to 649p as it finally came up with its offer terms for Wellcome along with its first-half figures.

The company posted a 10 per cent profits increase to £1.1bn, but the figure was anticipated and one analyst said that in earnings per share terms there was no growth at all. The results meeting was described as uninspiring and the shares declined in response to what a dealer called the "After the Lord Mayor's Show effect". Also, sales of Zantac, the company's best selling product, fell 4 per cent.

Finally, there was concern that the European Commission was seeking comments on the Glaxo offer, although a number of analysts said the announcement was standard. Wellcome ended 7 down at 1011p.

Instruments group Meggitt turned in the day's second best share price performance as takeover hopes led to a 9½ bounce to 73p following news that diversified industrial TT Group had taken a 4 per cent stake.

Led by former Hanson executive Nick Shipp, TT is best known as a strategic stake buyer rather than a takeover specialist. Its market capitalisation of £260m – just £100m more than Meggitt – suggested to Nomura Securities that any outright bid would need rights issue financing. TT relinquished 4 at 234p.

The regional electricity stocks (recs) staged another broad advance as dealers positioned themselves and their clients for an expected statement before the end of the week from Mr Michael Heseltine, President of the Board of Trade, regarding a possible Monopolies and Mergers Commission referral of the Trafalgar House bid for Northern Electric.

Utilities specialists insisted yesterday that the odds remained marginally in favour of a referral, a move which it was thought could trigger a slide of possibly 5 per cent in the Northern share price and hit other recs. "The speculators would fall over themselves to get out if that were the case," said one analyst. But he took the view that any setback would be shortlived. "There is a long queue of institutional buyers below current market prices," he edded.

The recs mostly closed well below the day'e best levels, reflecting a burst of US selling in mid-afternoon. Northern was the most heavily traded and finished only a fraction ahead at 956p as the MMC referral story gathered momentum; turnover reached 3m shares.

Yorkehire Electricity touched 804p before closing a net 21 up st 794p, South Western gained the same amount at 783p, South Wales rose 19 to 785p and Seeboard advanced 13 to 413p.

The action continued in Lasmo, which finished unaltered at 156p after another busy session that saw turnover reach 6.4m shares. Some brokers are convinced that Enterprise Oil's 9.8 per cent stake will be the catalyst for a chain of big moves in the exploration sector.

Vague hints yesterday suggested that Enterprise may be about to sell its Lasmo holding to Arco, the US group, who would then hid for Lasmo. Enterprise, so the story goes on, would then launch a bid for an overseas exploration company. Maxus, of the US, is seen as the favoured target, followed by Union Texas, and Ampolex, the Australian group.

GKN jumped 13 to 569p in modest 1.6m turnover following a note from Smith New Court focusing on the stock's declining dependence on cyclical businesses. According to Smith, a big industrial disposal could ehortly be ready for completion, possibly in time for next month's results. The securities house sees GKN shares as 20 per cent undervalued.

Tentative bid talk led to a 5 rise to 162p at T&N, which has recovered from a recent low of 140p. Not all analysts saw the group as a takeover candidate hut there was enough excitment yesterday to generate 4.3m turnover.

Among retailing stocks, MFI Furniture declined 3 to 121p on talk that several brokers were about to downgrade profits expectations.

Favourable comment from several brokers saw Marks and Spencer move up 7 to 395½p.

Profit-taking brought leisure group Thorn EMI down 12 to 1037p after it reported a favourable increase in profits for the nine months to December 1994. Several brokers indicated that they would be upgrading full-year profits expectations.

Satellite broadcaster BSkyB gained 4 at 268p after reporting a 46 per cent rise in first-half profits. Pearson, which retains a significant stake in the broadcaster, rose 7 to 597p. Granada, another stakeholder, put on 5 at 504p.

Selected media stocks responded to a hefty review of the sector by Panmure Gordon. The house chose as its key buys Daily Mail & General Trust, which rose 15 to 1080p in the "A"s, and Reed International, 4 higher at 749p.

Environmental services company Waste Management tumbled 62 to 345p, the biggest significant fall in the London market, following a profits warning.

Bank note printer De La Rue jumped 23 to 1032p as a result of technical position taking surrounding the company's agreed bid for Portals. The latter's shares rose 12 to 1081p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Yr ago	*High	*Low
Ordinary Share	2333.0	2320.3	2319.8	2303.3	2286.4	2641.9	2713.6	2238.3
Ord. div. yield	4.51	4.52	4.51	4.54	4.57	3.51	4.86	3.43
Earn. yld. % full	6.65	6.64	6.63	6.65	6.70	3.97	6.84	3.82
P/E ratio net	17.85	17.86	17.90	17.81	17.67	31.76	33.43	16.91
P/E ratio nil	16.93	16.93	16.97	16.86	16.74	29.44	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2324.2	2325.6	2331.7	2336.5	2332.9	2335.3	2340.3	2337.9	2332.9	2341.4	2324.2

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Yr ago
SEAQ bargains	23,992	23,169	21,316	19,842	20,707	41,169
Equity turnover (£m)†	-	1330.6	2276.8	1447.8	1813.6	2083.7
Equity bargains†	-	32,596	31,175	26,367	27,445	46,271
Shares traded (ml)†	-	568.5	779.3	569.1	625.1	899.8

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows*		LIFFE Equity options	
Total Rises	779	Total Highs	40	Total contracts	37,954
Total Falls	530	Total Lows	95	Calls	15,196
Same	1,615			Puts	22,758

Feb. 7 *Data based on those companies listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3076.0	3077.0	+8.0	3100.0	3067.0	13758	58991
Jun	3096.0	3098.5	+8.0	3107.5	3088.6	342	6591

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3405.0	3412.5	+17.5	3410.0	3405.0	14	4044

FT-SE 100 INDEX OPTION (LIFFE) (*3072) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Feb	179½	1½	132	2½	85½	6	48	16	17	41	6	84	1	134	1	184
Mar	187	12	144½	18	105	29	71	45½	45	69½	25½	101	12½	140	6½	188
Apr	198	28	161½	39	125	53½	95½	73½	70	97½	48	125	32	160	20½	198½
May	214½	35	178	47½	145	64	115½	73½	89½	108½	67½	136½	50	169½	35½	206
Jun†	227½	45½			161½	78			106	122½			84½	180½		

Calls 9,174 Puts 4,968

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Feb	154½	2	107½	4½	64	11½	30	27	9½	56	2	99	1	147	1	197
Mar	163½	12½	122	21	86½	34½	58½	54½	34	81½	18½	115½	8	155	3½	200
Apr	177½	31	141	44	108	61½	82½	84	60	111	42½	142½	29	178½	19	218
Jun	213½	55½			148	89			97½	135			69½	194½		
Sept†	257	79			196	114			144	158			101½	211½		

Calls 5,292 Puts 3,301 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
$10	F.P.	34.2	625	565	First Russian Fr	570		-	-	-	-
-	F.P.	34.1	98	93	Gartmore Mlc Ind	96		-	-	-	-
-	F.P.	2.81	41	36	Do. Warrants	41		-	-	-	-
-	F.P.	27.9	55	61¾	Lazard Birla India	53½		-	-	-	-
-	F.P.	3.27	32½	29¾	Do Warrants	31½	+¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT 6 Cap	34		-	-	-	-
35	P.P.	21.4	36	36	MCIT 6 Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	18.9	130	90	Pantex Oil	90	-5	-	-	-	-
-	F.P.	4.30	10¾	10½	Wessex Trust	10¾	+¼	-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 6	% chg on day	Feb 3	Feb 2	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1692.36	-0.8	1706.83	1715.27	2187.36	2.28	2307.90	1637.84
Regional Indices								
Africa (16)	2614.28	-2.8	2683.81	2630.31	2966.83	5.26	3711.87	2304.46
Australasia (7)	1966.36	+0.3	1960.72	2004.82	2889.23	0.85	2851.40	1943.81
North America (11)	1380.86	+0.1	1379.75	1403.70	1856.16	0.82	1911.21	1348.16

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 7 : 196.7 ; day's change: -4.7 Year ago: 216.2 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 7	Day's chge%	Feb 6	Feb 3	Feb 2	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3072.7	+0.3	3062.0	3059.7	3034.7	3440.2	4.24	7.23	16.36	4.32	1174.79
FT-SE Mid 250	3407.1	+0.3	3395.8	3390.2	3383.8	4131.6	3.72	6.48	18.41	6.13	1287.09
FT-SE Mid 250 ex Inv Trusts	3411.4	+0.3	3401.7	3396.0	3393.9	4146.3	3.86	7.01	17.13	9.24	1286.83
FT-SE-A 350	1530.4	+0.3	1525.1	1523.7	1513.4	1745.3	4.12	7.86	16.78	2.59	1197.71
FT-SE-A 350 Higher Yield	1552.6	+0.3	1548.4	1549.7	1539.1	1750.0	5.16	7.57	15.82	3.46	999.16
FT-SE-A 350 Lower Yield	1507.7	+0.4	1501.5	1497.3	1487.3	1696.3	3.08	6.55	17.86	1.74	995.01
FT-SE SmallCap	1716.50	—	1714.73	1712.38	1710.44	2061.31	3.39	6.50	18.29	3.46	1343.57
FT-SE SmallCap ex Inv Trusts	1691.56	—	1691.86	1691.17	1690.64	2052.21	3.56	7.31	17.38	3.63	1329.47
FT-SE-A ALL-SHARE	1513.05	+0.3	1508.21	1506.71	1497.18	1733.58	4.06	7.02	16.95	2.60	1204.24

FT-SE Actuaries All-Share

	Feb 7	Day's chge%	Feb 6	Feb 3	Feb 2	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2673.61	+0.1	2670.07	2671.50	2659.39	2665.94	3.52	5.06	24.96	0.00	1079.39
12 Extractive Industries(7)	3504.74	-0.8	3534.47	3571.34	3566.04	4051.47	3.46	5.55	22.26	0.00	967.11
15 Oil, Integrated(3)	2677.34	+0.4	2667.89	2666.65	2653.84	2577.09	3.63	5.60	22.22	0.00	1106.63
16 Oil Exploration & Prod(15)	1939.12	-0.1	1941.20	1920.51	1904.86	1989.16	2.52	‡	‡	0.00	1121.94
20 GEN INDUSTRIALS(276)	1811.86	+0.5	1803.54	1800.89	1789.48	2219.96	4.31	5.89	20.28	1.65	932.82
21 Building & Construction(38)	943.44	-0.6	948.72	948.97	950.16	1569.10	4.11	6.86	16.86	0.00	744.93
22 Building Matls & Merchs(31)	1742.93	+0.6	1732.75	1720.35	1706.11	2357.86	4.38	6.34	19.03	0.20	829.60
23 Chemicals(23)	2207.35	+0.3	2200.83	2201.78	2202.14	2488.25	4.26	4.93	25.19	0.50	986.48
24 Diversified Industrials(17)	1778.81	+0.4	1771.53	1768.94	1755.62	2208.02	5.24	6.40	18.04	3.06	922.62
25 Electronic & Elect Equip(36)	1900.57	+0.9	1884.11	1882.76	1843.09	2245.87	3.99	6.76	17.55	2.01	940.15
26 Engineering(72)	1737.01	+0.5	1731.82	1732.72	1724.37	1993.83	3.48	5.65	20.77	2.87	1002.92
27 Engineering, Vehicles(13)	2076.52	+1.2	2051.72	2044.20	2040.93	2471.87	4.82	1.67	80.00†	0.16	1019.56
28 Paper, Pckg & Printing(27)	2702.75	+0.7	2682.92	2692.13	2692.26	2952.50	3.32	5.94	19.46	0.17	1070.07
29 Textiles & Apparel(21)	1476.85	—	1476.48	1476.84	1459.82	2004.27	4.59	6.64	18.56	0.17	845.64
30 CONSUMER GOODS(95)	2850.48	-0.4	2861.77	2863.76	2839.33	2977.43	4.31	7.16	16.24	9.58	994.00
31 Breweries(18)	2164.17	-3.1	2232.88	2228.63	2212.74	2321.76	4.42	8.49	14.18	10.38	990.76
32 Spirits, Wines & Ciders(10)	2587.49	+0.4	2577.06	2574.31	2564.41	5126.74	4.40	7.00	15.54	26.30	883.48
33 Food Producers(24)	2334.36	+0.3	2328.29	2334.62	2320.21	2535.63	4.23	7.64	15.74	14.23	999.28
34 Household Goods(10)	2504.00	-0.2	2509.78	2514.89	2492.33	2845.95	3.55	8.03	18.03	0.45	907.29
36 Health Care(18)	1589.45	-0.1	1590.33	1583.10	1591.86	1876.16	3.14	3.49	40.01	0.58	926.58
37 Pharmaceuticals(13)	3487.16	-0.8	3514.13	3523.10	3464.15	5135.72	4.05	6.16	18.77	0.00	1118.64
38 Tobacco(2)	3775.02	+0.9	3741.77	3733.43	3745.43	4278.43	5.69	9.65	11.31	0.00	861.11
40 SERVICES(201)	1869.80	+0.6	1857.78	1854.53	1851.00	2146.29	3.26	7.27	16.83	3.90	926.65
41 Distributors(32)	2277.86	+0.2	2272.58	2286.42	2263.82	3225.57	4.11	13.65	8.87	1.63	796.40
42 Leisure & Hotels(29)	2090.49	+0.1	2087.42	2081.06	2080.17	2306.03	3.44	5.74	20.86	8.69	1040.94
43 Media(43)	2782.59	+0.7	2764.50	2750.44	2739.07	3292.71	2.53	5.63	20.81	1.92	969.56
44 Retailers, Food(16)	1618.47	+0.7	1805.52	1807.17	1785.81	1613.66	3.62	8.82	13.90	2.54	1099.01
45 Retailers, General(45)	1539.75	+0.5	1531.97	1528.52	1525.09	1804.45	3.46	7.56	16.39	6.11	840.83
48 Support Services(36)	1454.23	+0.8	1443.12	1449.20	1462.47	1819.57	2.89	6.63	17.76	0.69	891.06
49 Transport(21)	2197.23	+1.5	2164.88	2157.63	2164.82	2781.78	3.87	6.92	17.09	3.32	869.17
51 Other Services & Business(7)	1208.08	+0.2	1206.16	1199.34	1194.84	1354.79	3.70	4.59	29.38	4.78	1052.24
60 UTILITIES(37)	2380.00	+0.7	2363.51	2356.16	2338.05	2691.82	4.66	7.63	15.65	6.79	937.71
62 Electricity(17)	2415.65	+0.9	2394.31	2387.91	2401.56	2572.86	4.20	10.47	11.40	19.89	1033.79
64 Gas Distribution(2)	2042.04	+0.9	2022.85	2039.09	2049.05	2257.88	5.87	‡	‡	0.00	959.12
66 Telecommunications(5)	2048.41	+0.5	2036.92	2022.42	1972.94	2375.00	3.99	7.31	16.76	0.00	868.14
68 Water(13)	1685.28	+0.7	1672.81	1667.96	1674.05	2094.17	5.94	14.24	7.66	4.62	859.34
69 NON-FINANCIALS(685)	1641.53	+0.3	1636.57	1634.82	1625.30	1842.10	4.04	6.77	17.74	3.29	1174.84
70 FINANCIALS(119)	2112.70	+0.3	2106.44	2106.87	2088.33	2863.35	4.62	9.50	12.20	0.39	843.69
71 Banks, Retail(9)	2770.37	+0.1	2767.10	2761.93	2727.32	3468.31	4.42	10.18	11.19	0.00	834.28
72 Banks, Merchant(6)	3087.63	+0.2	3079.99	3103.31	3088.36	3730.04	3.60	9.04	12.92	0.00	937.77
73 Insurance(27)	1160.53	+0.7	1152.84	1156.20	1148.99	1509.16	5.70	10.16	11.23	0.51	802.82
74 Life Assurance(6)	2347.09	+1.2	2318.50	2324.88	2291.40	2758.26	5.45	7.94	15.36	0.00	908.35
77 Other Financial(23)	1847.81	+0.1	1845.39	1847.76	1849.88	2244.27	4.04	8.06	14.64	2.11	999.37
79 Property(46)	1370.40	+0.5	1363.69	1370.44	1373.91	1679.84	4.39	7.70	18.06	0.67	795.64
80 INVESTMENT TRUSTS(135)	2627.29	+0.6	2611.55	2594.47	2577.00	3114.21	2.38	2.04	48.95	4.84	889.39
89 FT-SE-A ALL-SHARE(916)	1513.05	+0.3	1508.21	1506.71	1497.19	1733.58	4.06	7.02	16.95	2.60	1204.24
FT-SE-A Fledgling	985.23	-0.1	986.10	985.59	985.37	-	2.91	-	-	2.05	987.26
FT-SE-A Fledgling ex Inv Trusts	987.00	-0.1	988.32	988.39	988.56	-	3.06	-	-	2.20	989.16

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3064.7	3068.9	3077.4	3082.2	3075.1	3077.8	3085.2	3082.3	3072.4	3086.4	3064.7
FT-SE Mid 250	3401.0	3402.6	3410.0	3412.9	3409.5	3411.4	3411.4	3411.9	3407.1	3413.0	3400.4
FT-SE-A 350	1526.7	1528.5	1532.5	1534.7	1531.6	1532.8	1536.7	1534.6	1530.3	1536.2	1526.7

Time of FT-SE 100 Day's high: 2.09pm Day's low: 8.30am . FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94) .

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	889.8	891.5	891.0	886.2	882.7	883.6	883.8	883.6	882.7	882.7	888.8	-6.1
Pharmaceuticls	3489.0	3496.6	3498.0	3493.3	3487.1	3487.1	3490.4	3481.4	3480.2	3458.5	3485.5	-27.0
Water	1686.5	1687.0	1679.2	1677.7	1678.3	1680.4	1680.2	1680.5	1679.2	1679.4	1666.7	+12.7
Banks, Retail	2805.7	2807.1	2818.4	2819.0	2805.9	2810.1	2820.1	2815.4	2803.6	2805.7	2802.4	+3.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	226	353½	+3
ASDA Group†	10,000	69	+¼
Abbey National†	1,300	429	+4
Albert Fisher	353	42	-3
Allied Domecq†	3,300	515	-5
[illegible]			

صكنا من الاهل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 7 / Sch)

BELGIUM/LUXEMBOURG (Feb 7 / Frs.)

CZECH REP (Feb 7 / Koruna)

DENMARK (Feb 7 / Kr)

FINLAND (Feb 7 / Mkk)

FRANCE (Feb 7 / Frs.)

GERMANY (Feb 7 / Dm.)

GREECE (Feb 7 / Drachma)

ITALY (Feb 7 / Lira)

NETHERLANDS (Feb 7 / Fls.)

NORWAY (Feb 7 / Kroner)

POLAND (Feb 6 / Zloty)

PORTUGAL (Feb 7 / Escudo)

SPAIN (Feb 7 / Pts.)

SWEDEN (Feb 7 / Kronor)

SWITZERLAND (Feb 7 / Frs.)

TURKEY (Feb 7 / Tk Lira)

PACIFIC

JAPAN (Feb 7 / Yen)

AUSTRALIA (Feb 7 / Aust$)

HONG KONG (Feb 7 / H.K.$)

INDONESIA (Feb 7 / Rupiah)

MALAYSIA (Feb 7 / MYR)

NEW ZEALAND (Feb 7 / NZ $)

SINGAPORE (Feb 7 / S$)

SOUTH KOREA (Feb 7 / Won)

TAIWAN (Feb 7 / TW $)

THAILAND (Feb 7 / Baht)

AFRICA

SOUTH AFRICA (Feb 7 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 7 / Can $)
4 pm close

MONTREAL (Feb 7 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Feb 7	Feb 6	Feb 3	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	15134.09	18206.81	25429.40	18/2/94	13936.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1845.8	1862.9	1847.7	2340.60	3/2/94	1830.60	31/1/95
All Mining(1/1/80)	817.5	831.5	833.5	1136.10	3/2/94	817.50	7/2/95
Austria							
Credit Aktien(30/12/84)	363.55	362.89	361.34	468.86	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	977.90	974.83	968.30	1222.25	1/2/94	968.30	3/2/95
Belgium							
BEL20 (1/1/91)	1358.71	1365.41	1363.63	1542.85	9/2/94	1336.30	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	38208.0	39444.0	53110.60	13/9/94	3668.80	3/1/94
Canada							
Metals Mins♦(1975)	(u)	3864.05	4083.50	4326.97	19/1/95	3228.86	20/4/94
Composite♦ (1975)	(u)	4119.80	4105.05	4609.99	23/3/94	3939.99	24/6/94
Portfolio§§ (4/1/83)	(u)	2024.78	2019.82	2182.69	1/2/94	1998.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5405.0	5514.5	5754.40	21/11/94	3861.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	353.73	354.47	353.43	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1854.9	1864.0	1848.8	1972.09	4/2/94	1681.10	3/1/94
France							
SBF 250 (31/12/90)	1232.90	1232.91	1215.41	1509.20	2/2/94	1178.62	23/1/95
CAC 40(31/12/87)	1870.44	1872.11	1842.43	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	779.82	778.43	768.74	859.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2214.6	2213.4	2182.9	2465.50	2/5/94	2118.30	5/10/94
DAX (30/12/87)‡	2092.49	2089.69	2057.99	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	799.41	800.23	811.92	1194.58	18/1/94	799.41	7/2/95
Hong Kong							
Hang Seng(31/7/64)	8004.01	7897.80	7478.92	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3581.47	3590.24	3636.13	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	457.33	453.14	445.36	612.88	5/1/94	432.88	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1897.46	1891.39	1882.47	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	676.47	680.37	673.40	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/95)	1059.0	1075.0	1064.0	1076.66	8/2/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18500.55	18887.23	18538.97	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	285.46	287.47	283.92	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1445.35	1455.30	1449.38	1712.73	13/6/94	1380.68	23/1/95
2nd Section (4/1/68)	1898.47	1903.82	1904.30	2642.65	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	975.58	971.86	927.28	1314.46	5/1/94	940.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1963.98	1957.23	2881.17	8/2/94	1866.99	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	444.7	444.1	443.0	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	279.0	278.6	277.8	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1965.00	(c)	1977.87	2438.64	3/2/94	1978.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1148.26	1145.61	1142.82	1221.16	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2584.46	2569.80	2510.99	3308.37	4/1/94	2374.88	24/1/95
Portugal							
BTA (1977)	2782.9	2774.9	2770.9	3229.69	18/2/94	2612.89	20/6/94
Singapore							
SES All-S'pore(2/4/75)	515.65	518.58	517.35	641.81	4/1/94	472.99	23/1/95
South Africa							
JSE Gold (28/9/78)	1536.2♥	1616.2	1653.2	2594.60	7/9/94	1495.20	30/1/95
JSE Ind. (28/9/78)	6448.4♥	6544.6	6530.5	6804.40	30/12/94	5445.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	942.52	945.27	940.84	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	288.91	290.06	288.46	358.31	31/1/94	276.35	11/1/95
Sweden							
AffarsvardinGen (1/2/37)	1549.80	1563.40	1540.20	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1245.01	1248.30	1234.77	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	923.41	921.78	912.77	1060.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6531.82	6417.26	(c)	7191.12	30/9/94	5194.63	10/3/94
Thailand							
Bangkok SET (30/4/75)	1329.25	1330.42	1276.07	1753.73	4/1/94	1191.26	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	26379.8	25990.0	25483.3	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	618.5*	617.4	612.8	649.90	2/11/94	591.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1340.47	1338.28	1324.25	1540.19	31/1/94	1266.48	5/10/94
Euro Top-100 (26/6/90)	1189.18	1187.93	1180.15	1311.81	2/2/94	1136.48	5/10/94
JCapslDrgns (31/12/88)	(u)	282.31	281.23	365.19	5/1/94	201.46	23/1/95
Baringss Emerg.(7/1/92)	(u)	145.58	142.63	191.78	26/9/94	134.07	31/1/95

US INDICES

Dow Jones	Feb 6	Feb 3	Feb 2	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3937.73	3928.84	3870.77	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.51	95.43	95.04	105.61 (21/1/94)	93.56 (30/12/94)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1506.50	1511.15	1482.29	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	185.16	185.62	183.05	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3964.31 (3959.60) Low 3900.64 (3878.18) (Theoretical♦)
Day's high 3948.83 (3944.12) Low 3920.57 (3870.77) (Actual♦)

Standard and Poors	Feb 6	Feb 3	Feb 2	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	481.14	478.64	472.78	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	567.33	563.89	558.33	567.33 (6/2/95)	510.00 (21/4/94)	567.33 (6/2/95)	3.62 (21/6/32)
Financial	45.71	45.46	44.18	48.84 (14/6/94)	39.87 (22/11/94)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	261.75	260.44	257.18	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.12	442.43	438.45	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	778.65	772.86	763.84	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 3	Jan 27	Jan 20	Year ago
Dow Jones Ind. Div. Yield	2.73	2.70	2.77	2.82
	Feb 1	Jan 25	Jan 18	Year ago
S & P Ind. Div. yield	2.42	2.43	2.40	2.512
S & P Ind. P/E ratio	18.96	18.90	19.06	26.96

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	4,458,100	34¼	—
Ford Motor	3,724,900	25⅝	–⅛
AT&T	3,369,200	61⅞	+¼
RJR Nabisco	3,239,200	5⅝	–⅛
Santa Fe Gld	3,034,900	9	–¼
Snta Fe Corp	2,897,790	19⅞	+⅛
Compaq	3,614,400	35⅞	–¼
Merck	2,474,600	40⅝	[illegible]
EMC Corp	2,489,700	17	–⅛
Gen Motors	2,275,100	38⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 6	Feb 3	Feb 2
New York SE	325.622	440.948	322.032
Amex	14.433	18.004	13.626
NASDAQ	272.906	356.758	289.973
NYSE			
Issues Traded	2,937	2,933	2,925
Rises	1,379	1,851	1,289
Falls	870	526	896
Unchanged	688	556	740
New Highs	89	94	44
New Lows	18	38	37

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Feb	1886.0	1876.0	-2.0	1890.0	1874.0	19,325	22,866
Mar	1891.5	1884.0	-1.5	1896.5	1884.0	455	22,857
■ DAX							
Mar	2105.0	2105.5	+4.5	2108.5	2100.0	11,288	N/A
Jun	2125.5	2125.0	+4.5	2127.0	2120.0	244	N/A
■ OMX							
Feb	1195.75	1189.50	-4.50	1197.00	1188.00	5,058	20,204
Mar	1196.00	1195.00	-2.50	1196.00	1194.50	170	1,340
■ SOFFEX							
Feb	2622.0	2627.0	+6.9	2633.0	2618.5	3,942	14,544
Mar	2634.0	2635.0	+19.0	2640.0	2629.0	64	1,013

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	482.75	483.40	+0.65	483.55	482.16	69,645	198,909
Jun	487.30	487.30	+0.65	487.30	487.30	772	16,241
■ Nikkei 225							
Mar	18690.0	18610.0	-120.0	18700.0	18600.0	24,696	123,748
Jun	18730.0	18680.0	-90.0	18730.0	18670.0	321	6,653

Open interest figures for previous day.

** Sat Feb 4 : Taiwan Weighted Price 6326.38; Korea Comp Ex 951.88. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 7 – 2093.01 +7.98.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 7, 1995.

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	27.7m	800	-37
Fudo Const	12.4m	1,280	-70
Sakai Ovex	10.6m	792	+48
Aoki Corp	6.0m	606	-43
Toyo Const	5.6m	743	-36
Hiroshima Bank	5.0m	593	-9
Sumitomo Const	4.6m	741	-34
Keihin E Exp	4.1m	575	-2
NKK Corp	3.2m	273	-3
Hazama Corp	2.8m	550	-8

4 pm close February 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	11⅞	AAR	0.40	3.5	24	205	13⅞	13¼	13¾	+⅛
21⅞	12⅝	A L Labs A	0.18	0.9	48	131	21½	20⅞	21⅝	+⅛
79⅞	57⅞	AMP	1.84	2.6	18	2976	71	70¼	70⅜	-⅛
72⅞	48½	AMR			25	2228	57⅞	56⅝	56⅝	-⅝
56⅛	35⅝	ASA	1.71	3.9	28	271	43⅞	43⅝	43⅝	-⅛
36	25⅞	AbbtL	0.76	2.1	18	10274	u36	35⅝	35¾	+⅛
15¼	11⅞	Abitibi Pr	0.50	3.7	12	177	13⅝	13⅝	13⅝	+⅛
24⅞	17¾	ABM Ind	0.60	2.5	14	60	24½	23⅝	24	+⅜
18	11⅛	Acptncein			12	33	18	15⅞	16	
31	20¾	ACE Ltd	0.44	1.7	9	2861	25¾	24⅞	25¼	+⅞
12½	8	ACM Gvt In x	1.08	11.5	8	385	9½	8⅞	8½	
10⅛	6⅞	ACM GvOpp x	0.50	11.6		117	7⅛	7⅛	7¼	+⅛
16¼	6¼	ACM Gvt Sp x	0.96	13.0		588	7⅝	7⅛	7⅝	+⅛
12	7⅝	ACM Gvt Se x	1.08	12.8		1083	8½	8⅜	8½	+⅛
11⅞	7⅞	ACM Man x	1.08	13.7		774	8	7¾	7⅞	
9⅞	7¼	ACM Mangd x	0.72	0.6		14	7½	7⅛	7⅜	
16¼	8⅞	AcmeClv	0.40	2.8	8	163	15⅞	16¼	15⅞	+⅛
21	8½	Acme Elect			21	828	u21½	20	20½	+¼
33½	23	Acordia	0.60	1.8	16	40	32½	32⅝	32½	
13¾	5¾	Acuson	0.36	3.8	2	62	9⅞	8⅞	9⅞	+⅛
18⅞	11¼	Acuson			26	194	16⅝	16⅜	16⅜	-⅛
18⅞	15½	Adams Expr	0.36	2.2	0	42	16¼	16⅛	16¼	
64½	48½	Ad Micro	3.00	4.9		182	63	31¾	61¾	-1⅝
32¼	16¾	AdvMic	3.00	0.9	8	8946	31⅞	30½	30½	-1⅛
6⅞	5	Advest Grp	0.18	2.6	31	198	6⅛	5⅞	6⅛	+⅜
20	15	Advo Inc	0.18	0.5	15	188	18⅞	18	18¾	
66⅛	49⅞	Aegon ADR	1.47	2.3	12	16	65⅛	64⅞	64⅞	+½
5	3⅞	Aerfix			7	951	4	3¼	3⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

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- F - [illegible]

- G - [illegible]

- H - [illegible]

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4 pm close February 7

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close February 7

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Dell Comp		17	7104	42¼	40⅞	41⅛	-13/16
Dntsply	0.60	16	889	35¾	34¾	35¼	+¾
Dep Gty	1.12	9	128	33½	33	33⅜	+⅜
Devcon	0.20	6	20	6⅛	6	6⅜	
DH Tech		16	41	23¼	23	23⅛	+1/16
Dibrell 6	0.80	17	251	19½	18½	19¼	+1
Digi Intl		10	3193	23½	22¼	22¼	-¼
Dig Micro		27	759	17¼	16½	16¾	
Dig Sound		22	951	2⅞	2⅝	2¾	-1/16
Dig Syst		50	416	7⅝	7¼	7⅝	+⅛
Dionex Cp		16	119	39¾	39	39¾	
Dixie Yrn	0.20	30	145	6⅞	d6¼	6½	
DNA Plant	2.25	1	150	6⅛	3	3	
Dollar Gn	0.20	34	16	u35⅝	34½	35⅝	+⅞
Dorch Hsn	0.68	19	69	12¼	12	12	-¼
DrecoEngy		10	110	9½	9½	9½	
DressBarn		14	216	10⅜	10¼	10¼	-⅛
Drey GD	0.24	116	382	27¼	26¾	27¼	
Drug Empo	0.08	9	79	4⅝	4⅜	4⅝	
DS Bancor	1.09	13	338	27¼	25¾	27¼	+1¼
Dunkon	0.42	16	210	19	18¾	19	
Dynatech		16	755	35¼	34¼	34¾	+¼

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AMEX COMPOSITE PRICES

4 pm close February 7

FINANCIAL TIMES Wednesday February 8 1995

AMERICA

Suggestion of profit-taking as Dow slips

Wall Street

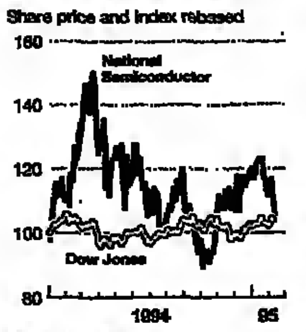
US shares were mostly off modestly yesterday morning in spite of positive economic news and an indication that the Federal Reserve might hold off from more monetary tightening, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 4.71 at 3,933.02. The Standard & Poor's 500 lost 0.72 at 480.42, and the American Stock Exchange composite rose 0.10 to 443.22. The Nasdaq composite shed 0.62 to 778.23. Volume on the NYSE was 191m shares.

The market brushed off data that showed strong productivity gains made in 1994. According to the Labor Department, non-farm productivity rose 2.2 per cent last year against 1.5 per cent in 1993. Gains were also stronger than expected for the fourth quarter of last year. The increase was 1.8 per cent compared with expectations closer to 1.5 per cent.

National Semiconductor

Share price and index rebased



Source: FT Graphite

Productivity gains helped keep labour costs low in spite of rising employment. Unit labour costs rose only 0.9 per cent last year, compared with a 1.7 per cent increase in 1993.

Also ignored by the market were comments by Mr John LaWare, a member of the Fed's Board of Governors, indicating that the central bank would be cautious about more monetary tightening until it could measure the effects of the seven interest rate increases since January of 1994.

Monetary tightening is generally had for the market because it tends to erode corporate profits by deterring consumption and making borrowing expensive.

Several rating changes by securities houses hurt individual share prices. National Semiconductor lost more than 8 per cent of its value, falling $1⅛ at $16⅞ after a PaineWebber analyst lowered his rating on the company from "buy" to "neutral". Columbia/HCA Healthcare shed $2 at $40⅞ after a Goldman Sachs analyst took the company off its priority list and downgraded it to "moderate outperform."

In earnings newe, market reaction was mixed for several companies that reported stronger-than-expected fourth quarter results. Time Warner rose $1⅛ at $38⅞ after the communications gronp reported net income of 2 cents per share compared with expectations of 1 cent per share.

PepsiCo lost $¼ at $38¼ after the food and drink company also beat income projections of 63 cents per share by just 1 cent. Allied Signal fell $⅛ at $37⅞ after exceeding projections by 2 cents a share and reporting earnings of 73 cents a share versus forecasts of 71 cents. Both Allied Signal and PepsiCo had risen in recent trading so the shares may have declined on profit-taking.

Gerrity Oil & Gas was unchanged at $2⅞ after reporting a greater-than-expected loss for the fourth quarter. The company reported a loss of 22 cents per share, while analysts had only expected a loss of 18 cents per share.

Canada

Toronto was weak in quiet midday trading and the TSE 300 Composite index was 14.81 lower at 4,104.97 in low volume of 15.27m shares.

Of Toronto's 14 sub-indices, 11 poated lossea, led by declines in precious metals, media and banking stocks.

Against the trend, Canfor rose C$⅜ to C$17⅞ after its bostile takeover bid for Slocan Forest Products failed. Slocan receded C$⅝ to C$14⅞.

Auction aids Mexico

Expectations that interest rates for Mexican Tesobonos and Cetes would drop at yesterday's weekly auction sparked speculative buying in the equity market. By late morning the IPC index was 22.65 or 1.2 per cent higher at 1,986.63.

In the event, returns on the benchmark 91-day Tesobono issue dropped by 9.58 per centage points from a fortnight ago to 15.40 per cent and total demand was $550.4m, more than double the $240m offered by the central bank.

Last week'e sale wae scrapped after President Bill Clinton announced the $47bn international aid package for Mexico which, said the government, will go towards paying off maturing Tesobonos.

SAO PAULO was sharply lower as some investors' bopes were dashed by a local newspaper report that the government was not planning to privatise the state telecoms company Telebras and its subsidiaries, such as Telesp. By late morning the Bovespa index was 1,335 or 3.4 per cent weaker at 36,963, as Telebras preferred fell 4.9 per cent to R$31.10 and Telesp preferred by 3.8 per cent to R$99.99.

S Africa on downward path

Johanneshnrg took a downward path in response to a weak futures market, a firm financial rand and a directionless gold bullion price. The overall index fell 119.3 to 5,213.4, industrials shed 96.2 to 6,448.4 and golds tumbled 65.8 or 4.1 per cent to 1,536.2.

De Beers declined R2.25 to R84, Anglos dropped R7.50 to R193.50 and Barlows finished R1.50 off at R84.

Freegold weakened R3.25 to R48, Western Areas fell R4 to R51 and Vaal Reefs slid R15 to R285. SAB dipped R2.75 to R90, Richemont was down R1.50 at R37 and Gencor lost 85 cents at R12.75.

EUROPE

Punishment meted out to metals industry stocks

The gentle way that bourses approached consolidation or profit-taking yesterday was belied by the punishment meted out to metals industry stocks after Monday's commodity market losses, *writes Our Markets Staff.*

PARIS hlamed profit-taking for a slight fall in the CAC 40 index, 1.67 lower at 1,870.44 in turnover of FFr4.21bn, but it also fielded a number of stories which moved shares more powerfully in both directions.

Canal Plus, the television group, gained FFr17 or 2.2 per cent at FFr804 on a 10 per cent rise in revenue, and a 14 per cent sales increase took Peugeot, the carmaker, up FFr17 or 2.4 per cent to FFr730. Accor, the hotels group, rose FFr14 to FFr575 on an estimate of nearly doubled operating profits for 1994.

On the downside, the tumble in aluminium prices took Pechiney's investment certificates FFr11 lower to FFr362; and allegations of a second covert payment to France's ruling coalition Republican party left Alcatel Alsthom off FFr6.70 at FFr465.80.

ZURICH edged higher on a day dominated by investors switching from cyclical stocks into recently neglected banks and insurers. The SMI index rose 6.6 to 2,628.0, with trade confined to blue chips which, dealers said, indicated that foreign investors had returned to the market.

FT-SE Actuaries Share Indices

Feb 7								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1339.35	1339.71	1340.82	1341.33	1340.97	1341.54	1340.87	1340.47
FT-SE Eurotrack 200	1396.91	1397.08	1397.21	1397.48	1397.88	1398.57	1395.21	1397.72

	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31
FT-SE Eurotrack 100	1338.29	1324.25	1312.88	1313.47	1297.31
FT-SE Eurotrack 200	1395.17	1383.84	1375.16	1373.89	1356.76

Base 1000 (29/10/90); High/day: 100 - 1342.15; 200 - 1400.75 Low/day: 100 - 1338.89 200 - 1394.72 † Partial

Alusuisse slid SFr12 to SFr644, taking its lead from US aluminium stocks which were under pressure on Monday.

UBS bearers climbed SFr12 to SFr1,049 and CS Holding rose SFr9 to SFr547. Zurich Insurance, recommended by Credit Suisse, was SFr13 higher at SFr1,211 and Swiss Re gained SFr5 at SFr750. Bank Sal Oppenheim noted that Swiss Re'a exposure to the Japanese earthquake was a modest SFr150m. However, the enormous dimensions of the disaster would compel the Japanese, currently underinsured against earthquake hazards, to reconsider their requirements. "This will be to the benefit of Swiss Re, which will shortly renew its premiums in Japan."

Among the cyclicals, Brown Boveri fell SFr13 to SFr1,117.

SMH picked up another SFr13 to SFr633 in continned response to analysts' comments that it had become one of the cheapest consumer stocks in the market.

AMSTERDAM was boosted by a stronger dollar and gains In bond prices, in spite of individual weakness in metals and in papermaking. The AEX index finished 0.71 firmer at 414.13.

In metals, Hoogovens led a decline In cyclicals, large sell orders taking it down Fl 2.30 to Fl 75.60. The paper group KNP BT retreated FL 1.80 or 3.3 per cent to Fl 52.10 in very active trade, heavy profit-taking following the recovery disclosed after hours on Monday.

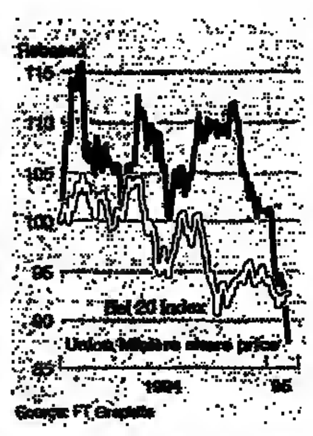
FRANKFURT consolidated the gains it picked up mostly last Friday, the Dax index rising 2.80 to 2,092.49 on the session, and 7.93 to 2,093.01 in the post bourse, as German stock market turnover crept up from DM6.2bn to DM6.25bn.

Volkswagen had its third strong day in succession and closed the afternoon DM9.40 higher at DM406.40, recovering from an earlier succession of falls and reacting to buy recommendations, including one from NatWest Securities which upgraded VW from a strong hold to a buy last week; NatWest also raised its 1995 earnings estimates for VW from DM25 to DM28.60, and for 1996 from DM42 to DM47.20.

There were no obvious reactions to the drop in commodity prices. Metallgesellschaft was steady after houre, closing DM1 higher at DM133 after its announcement of an operating profit in the first quarter to December. Meanwhile, Schering, the pharmacenticals group, saw profit-taking after net profit and sales figures up 12 per cent for 1994, the shares falling DM7.50 to DM1,102.50.

MILAN was given a late boost by renewed interest in insurers after the government announced that pension funds' immunity from a 15 per cent withholding tax would contInue until July.

The Comit index dipped 3.90 to 676.47, while the real-time



Source: FT Graphite

Mibtel index finished 67 ahead at a day'e high of 10,883, up from a low of 10,759. Pension funds had been exempt from the withholding tax since 1993, in an effort to encourage the development of private pensions, but the suspension was due to have expired at the end of this month.

Generali advanced L578 to L39,670, RAS was L502 higher at L18,100 and Toro gained L419 at L26,673.

Other blne chips ware heavily influanced by the expiry of options contracts on Friday. Fiat receded L30 to L6,581 and Telecom Italia was L13 lower at L4,559.

Among secondary issues attracting renewed attention from bargain hunters, Ciga, the hotels group, gained L52 or 6.1 per cent at L909 in volume of 3.6m shares.

BRUSSELS added problems in shipping to those in nonferrous metals as the Bel-20 index fell 6.70 to 1,358.71.

Hit by the fall in zinc, Union Minière was the most active stock as it dropped BFr95 or 4.3 per cent to BFr2,140, although terms for option trading in the stock and the general attitude of investment funds were also advanced by dealers in explanation of yesterday'e fall.

In shipping, CMB slipped BFr140 to BFr2,380 as dealers said its 1994 earnings estimates were below expectations.

MADRID'e general index came off late in the day, closing 1.17 lower at 288.91. Asturiana, noted for its strong correlation to the zinc price, dropped Pta55 or 3.8 per cent to Pta1,410.

DUBLIN extended ite uptrend as it approached today's Irish bndget, which was not expected to be negative for the market. The ISEQ overall index ended 6.07 ahead at 1,897.46.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

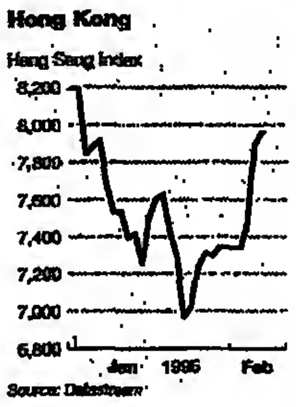
Hong Kong maintains momentum as Nikkei eases

The Hong Kong market built on Monday's 5.6 per cent advance, adding 1.3 per cent, but it was unable to hold on to the day's best level after a wave of profit-taking which followed further strong rises in the first hour of trade.

The Hang Seng index closed 106.21 higher at 8,004.01 after an intraday peak of 8,146.81.

Hong Kong

Hang Seng Index



Source: Datastream

Turnover amounted to a provisional HK$5.17bn.

Property issues held on to some gains. Cheung Kong finished the session HK$1.15 or 3.9 per cent ahead at HK$30.90.

Tokyo

Speculation mounted that the Tokyo stock exchange will set trading limits on construction stocks which have surged over the past few weeks. This put a dampener on investment sentiment and the Nikkei 225 average lost more than it gained on Monday, *writes Emiko Terazono in Tokyo.*

The index gave up 166.68 at 18,500.55 after a day'e low of 18,499.65 and high of 18,656.43. Volume came to 299m shares, falling below 300m for the first time since January 17, as investors refrained from trading issues linked to the reconstruction of Kobe.

The Topix index of all first section stocks lost 9.95 at 1,445.35, while the Nikkei 300 dipped 1.98 to 265.49. Declines led advances hy 670 to 303, with 189 issues unchanged. But in *London* the ISE/Nikkei 50 index pnt on 2.67 at 1,181.78.

The sharp gains in construction shares, regarded as beneficiaries of the rebuilding of Kobe, the city devastated by last month'e earthquake, prompted worries that the Tokyo SE may place the stocks on its watch list.

Dealers and individuals, who had purchased the stocks over the past few weeks, remained on the sidelines, while corporate investors continued to realise profits on their shareholdings in advance of the March financial year-end, and the closing of their books.

Mr Yasno Ueki at Nikko Securities said: "There is a feeling that the first round of the construction sector rally has ended, and investors are asking when the second round will begin."

Penta-Ocean Construction, the day's most active issue, fell Y37 to Y900 and Fudo Construction, the Osaka-based construction company which has led the recent rally, receded Y70 to Y1,280. General contractors were also weak, Obayashi losing Y12 to Y762 and Taisei Y4 to Y650.

Fishery issues shed 2.2 per cent following buying by individual investors on Monday. Nippon Suisan fell Y22 to Y440 and Nichiro Y9 to Y360.

Corporate selling hit high-technology and steel stocks. NEC declined Y18 to Y952, Fujitsu Y10 to Y910, NKK Y3 to Y273 and Nippon Steel Y2 to Y355.

Banks, which advanced last week after Sumitomo Bank took heavy write-offs on bad loans, dipped on profit-taking.

Traders said investors had expected other banks to follow Sumitomo's lead in cleaning up its balance sheet, and that the declines reflected their disappointment.

In Osaka, the OSE average slipped 150.20 to 20,366.43 in volume of 30m shares.

High-technology shares were lower, with Nintendo, the video game maker, down Y70 to Y5,160 and Murata Manufacturing losing Y80 at Y3,120.

Roundup

Profit-takers came out in parts of the region to trim the advances of previous sessions.

TAIPEI saw late waves of buying in the financial sector which pushed the weighted index 114.54 or 1.8 per cent higher to 6,531.82, in turnover that rose to T$59.6bn.

Hopes that the trade dispute between China and the US may be resolved triggered buying in China-concept shares, with Hon Hai rising by the daily 7 per cent limit to T$86.

KUALA LUMPUR finished marginally firmer, having overcome bouts of profit-taking after the 10 per cent advance of the previous two sessions. The composite index gained 3.62 at 975.58 in volume that improved to 256m shares.

Telekom Malaysia extended its advance on foreign buying, adding 20 cents at M$18.90.

Hong Leong Industries climbed 60 cents to M$13.20 on news that the company was making a takeover offer for Malaysian Pacific Industries.

SEOUL failed to maintain an early broadly based technical rebound in lacklustre late trading on continned liquidity concerns. The composite index finished 2.75 down at 942.52 after a high for the day of 952.80.

Brokers noted, however, that high-priced shares with low price/earnings ratios attracted short term investors. Korea Chemical and Korea Green Cross went limit up, each gaining Won2,500 to Won98,500 and Won95,900 respectively.

SINGAPORE aaw gains eroded and ended lower as traders took profits after the recent upward move. The Straits Times Industrial index closed 6.09 off at 2,118.80, having initially touched 2,141.03.

Among the property sector, Straits Steamship Land surrendered 30 cents at S$4.00 and DBS Land 14 cents at S$3.60 after their recent gains.

KARACHI was higher on the first day of the new account in a bullish response to news that the government had exempted share transactions of companies listed on the country's stock exchanges from capital gains tax for three years to strengthen capital markets in the country.

The KSE 100-share index moved ahead 31.02 or 1.7 per cent to 1,839.35.

BANGKOK closed easier after a session which saw both profit-takers and bargain hunters out in force. The SET index finished 1.17 lower at 1,329.25 after fluctuating between 1,323.56 and 1,344.54 amid heavy turnover of Bt10.5bn.

TelecomAsia topped the active list, rising Bt3.50 to Bt88.50. Shinawatra Computer appreciated Bt10 to Bt560.

Phatra Thanakit lost a net Bt3 at Bt186, having strengthened to Bt193 at first on reporting a 90 per cent increase in 1994 net profits.

SYDNEY finished lower on broadly based selling after Monday'a gains and a sell-off in metals in overnight trading. The All Ordinaries index closed 17.1 down at 1,845.8, while the mining sector retreated 1.8 per cent.

News Corporation, which reported second-quarter results, ended 13 cents cheaper at A$5.40, surrendering part of Monday'a gain which followed a buy recommendation from Merrill Lynch.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 6 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 3 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	162.51	0.4	154.44	102.07	129.36	144.04	0.8	4.01	161.80	153.28	101.94	128.28	142.95	188.48	161.21	188.48
Austria (16)	169.20	0.0	160.80	106.27	134.87	134.56	0.1	1.21	169.21	160.30	106.61	134.15	134.36	198.89	167.45	181.20
Belgium (35)	168.24	-0.2	159.88	105.66	133.90	130.69	0.1	4.22	168.63	159.76	106.25	133.69	130.56	177.04	161.53	168.10
Brazil (28)	144.65	-2.4	137.47	90.85	115.13	222.86	-2.7	1.17	148.24	140.43	93.40	117.53	229.06	–	–	–
Canada (103)	127.18	0.6	120.85	79.86	101.21	128.71	0.2	2.69	126.47	119.81	79.68	100.26	128.43	141.07	120.54	138.75
Denmark (33)	255.32	-0.3	242.54	160.35	203.21	209.47	-0.1	1.42	256.21	242.72	161.42	203.13	209.60	275.27	238.61	270.81
Finland (24)	190.33	0.7	180.88	119.53	151.48	188.70	0.8	0.74	188.94	179.00	119.04	149.90	187.30	201.41	133.88	156.72
France (102)	163.80	1.4	155.67	102.87	130.37	136.33	1.5	3.15	161.62	153.11	101.83	128.14	134.26	183.53	157.79	183.53
Germany (58)	142.42	1.0	135.35	89.45	113.35	113.35	1.4	1.83	141.06	133.64	88.88	111.84	111.84	150.40	128.37	133.71
Hong Kong (56)	317.10	5.8	301.36	199.15	252.39	314.73	5.8	3.97	299.77	284.00	188.88	237.68	297.62	493.01	277.40	493.01
Ireland (16)	210.56	0.2	200.10	132.24	167.59	191.85	0.4	3.32	210.11	199.06	132.39	166.59	191.22	215.60	177.56	202.44
Italy (58)	81.13	-0.1	77.10	50.95	64.57	87.80	0.0	1.59	81.20	76.93	51.16	64.38	87.64	97.78	67.25	76.38
Japan (484)	146.89	0.8	139.58	92.25	116.91	92.25	0.5	0.82	145.66	137.99	91.77	115.48	91.77	170.10	139.45	149.75
Malaysia (97)	469.23	4.8	445.93	294.70	373.47	461.48	4.8	1.83	447.51	423.96	281.96	354.80	440.10	594.78	398.16	522.12
Mexico (18)	1109.65	1.5	1054.54	696.90	883.17	6472.62	-0.1	1.58	1092.48	1034.99	688.33	866.15	6478.97	2547.08	964.79	2598.82
Netherland (19)	219.43	-0.2	208.53	137.81	174.66	171.90	0.2	3.36	219.80	208.23	138.49	174.27	171.50	223.30	191.28	208.34
New Zealand (14)	73.22	-0.6	69.58	45.98	58.28	61.44	0.0	4.78	73.68	69.80	46.42	58.42	61.44	77.20	62.05	76.49
Norway (23)	214.34	-0.1	203.69	134.61	170.59	194.85	0.2	1.77	214.57	203.28	135.19	170.12	194.58	218.03	177.53	204.44
Singapore (44)	350.91	0.9	333.49	220.39	279.30	236.34	1.2	1.81	347.68	329.37	219.05	275.64	233.59	401.38	294.66	359.76
South Africa (59)	304.67	0.3	289.54	161.35	242.49	288.63	-0.3	2.48	303.74	287.75	161.37	240.81	289.53	342.00	205.55	267.75
Spain (36)	133.30	0.5	126.67	83.71	106.09	134.08	0.8	4.24	132.48	125.51	83.47	105.04	133.07	154.81	124.87	154.81
Sweden (48)	242.93	1.1	230.86	152.57	193.35	268.38	0.9	1.51	240.32	227.68	151.42	190.54	266.08	242.93	186.70	230.02
Switzerland (47)	165.91	0.7	157.67	104.19	132.04	133.32	1.1	1.83	164.81	156.14	103.84	130.67	131.82	176.58	149.91	176.56
Thailand (46)	155.07	8.4	147.37	97.39	123.42	150.88	8.5	2.67	145.70	138.03	91.80	115.52	141.71	–	–	–
United Kingdom (205)	193.56	-0.2	183.95	121.57	154.06	183.95	0.1	4.20	193.98	183.77	122.22	153.80	183.77	212.02	161.11	212.02
USA (513)	197.23	0.5	187.43	123.87	156.97	197.23	0.5	2.84	196.19	195.86	123.61	155.54	196.19	197.23	178.95	191.12
Americas (662)	161.42	0.5	172.41	113.94	144.39	162.00	0.5	2.80	180.51	171.01	113.73	143.11	151.28	–	–	–
Europe (722)	169.81	0.3	161.38	106.65	135.15	150.86	0.8	3.09	169.24	160.33	106.63	134.18	149.83	177.05	160.59	177.05
Nordic (128)	232.71	0.7	221.15	146.15	185.21	218.16	0.6	1.40	231.21	219.04	145.67	183.31	218.84	233.91	197.70	220.80
Pacific Basin (809)	154.50	1.2	146.83	97.03	122.97	101.26	1.0	1.20	152.65	144.62	96.18	121.03	100.32	176.86	145.93	163.18
Euro-Pacific (1531)	160.78	0.8	152.80	100.88	127.97	120.53	0.8	2.03	159.47	151.06	100.47	126.43	119.56	175.14	154.73	168.80
North America (616)	192.89	0.5	183.31	121.14	153.52	192.58	0.5	2.83	191.67	181.77	120.89	152.12	191.59	192.89	175.67	187.86
Europe Ex. UK (517)	153.13	0.7	145.52	96.17	121.87	131.01	0.9	2.46	152.13	144.13	95.85	120.62	129.82	158.12	144.12	154.92
Pacific Ex. Japan (325)	230.04	3.3	218.62	144.48	183.09	203.32	3.4	3.29	222.74	211.02	140.34	176.60	196.61	291.75	211.19	291.75
World Ex. US (1739)	161.39	0.6	153.37	101.35	128.45	123.67	0.7	2.05	160.13	151.70	100.89	126.95	122.76	176.65	155.42	170.65
World Ex. UK (2047)	169.99	0.8	161.55	106.76	135.30	141.87	0.7	2.14	168.66	159.78	106.27	133.72	140.86	178.59	163.46	173.05
World Ex. Japan (1768)	187.20	0.6	177.90	117.57	148.99	178.08	0.7	2.94	186.02	176.23	117.20	147.48	176.81	192.36	176.34	192.36
The World Index (2252)	172.08	0.7	163.53	108.07	136.95	145.68	0.7	2.34	170.89	161.90	107.57	135.49	144.72	180.80	165.92	176.44

Latest prices were unavailable for this edition. New Zealand market closed 6/2/95.